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Daring prison escape of Mexico's 'El Chapo' leaves Peña Nieto reeling

The capture of Joaquín 'El Chapo' Guzmán Loera, the leader of Mexico's Sinaloa drug-trafficking organisation (DTO), in February 2014 was lauded as the most significant blow against drug-trafficking for over a decade, underpinning the credibility of President Enrique Peña Nieto. As such, Guzmán's escape from maximum security prison at the weekend is a significant setback in the fight against drug-trafficking, and a sharp blow to Peña Nieto's credibility and that of Mexico's institutions.

President Peña Nieto has some notable scalps as part of the 'decapitation strategy' targeting Mexico's drug kingpins. These include the arrest of Miguel Ángel 'Z40' Treviño Morales, the leader of the Los Zetas DTO in July 2013, and Servando 'La Tuta' Gómez Martínez, the leader of Los Caballeros Templarios (LCT), last February. Indeed, Peña Nieto often boasts that 91 of the 122 most wanted criminals on a government list have been arrested or "taken out". The high point was always the arrest of Guzmán – but when the biggest fish slips the hook, the rest of the catch looks like minnows.

Guzmán was first arrested in Guatemala in 1993, and extradited to Mexico where he escaped from a maximum security prison near Guadalajara in Jalisco state in 2001, with the aid of prison guards or, according to legend, in a laundry basket. He was recaptured in his native state of Sinaloa in February last year, some 13 years later, without a shot being fired, by Mexican marines acting on US intelligence.

Guzmán escaped from the Altiplano maximum security prison in the Estado de México on 12 July through a 1,500-metre tunnel, complete with lighting, ventilation and a motorbike on rails, all constructed beneath the bathroom adjoining his prison cell, the one area without CCTV coverage. In a press conference, the national security commissioner, Monte Alejandro Rubido, explained that a 50cm by 50cm hole 1.5 metres deep, which linked to the tunnel, had been discovered in the bathroom.

The tunnel came up in a small partially constructed house built on land purchased shortly after Guzmán's imprisonment. Whoever constructed the tunnel (most likely the highly skilled engineers working for the Sinaloa DTO who have built numerous tunnels across the Mexico-US border over the years) enjoyed good cover as major water pipeline construction works have been taking place right outside the prison for the last year, providing endless opportunities for earth to be carried out of the escape tunnel without attracting any notice.

Of all the reactions to Guzmán's arrest the most galling for Mexican government officials must have been that of Donald Trump, the US tycoon seeking

Big setback for Peña Nieto

President Peña Nieto was strengthened by the results of June's elections to the 500-seat federal lower chamber of congress in which his government retained a majority through a PRI-led alliance. But the escape of Joaquín 'El Chapo' Guzmán has deflated this success. It is arguably more damaging than the disappearance and presumed murder of 43 students in Iguala last September. While it is likely to be less damaging for the government at a domestic level, given that it will not face the same sort of popular protests that the Iguala scandal produced, it will be more damaging from the perspective of international credibility, especially in the eyes of the US.

the Republican party presidential candidacy. "I told you so," Trump tweeted. Last month Trump provoked irate responses from senior ministers in Mexico's cabinet over ill-conceived comments about Mexican migrants that smacked of xenophobia. Trump argued that Guzmán's flight confirmed his claim that Mexico suffered from systemic institutional corruption.

The concern for the Peña Nieto administration is that US government officials might begin to share Trump's view. The US attorney general, Loretta Lynch, swiftly released a statement saying that "the US government stands ready to work with our Mexican partners to provide any assistance that may help support [Guzmán's] swift recapture," but Roberta Jacobson, speaking during her hearing before the senate foreign relations committee on 15 July to put forward her credentials as the nominee for US ambassador to Mexico, expressed incredible frustration and disappointment at his escape. This probably came closer to representing the true feelings of the US government, whose frustration will be compounded by the fact that not only did it play a major role in the capture of Guzmán but it also expressly sought his extradition, only to be assured by Peña Nieto that he would serve out a prison sentence in Mexico as it would be "unforgivable" if he were allowed to escape again.

Guzmán's escape coincided with Peña Nieto's visit to France. As soon as he landed in Paris, Peña Nieto dispatched his interior minister, Miguel Ángel Osorio Chong, on a return flight home to lead operations to recapture Guzmán and to carry out an "in-depth investigation" into his flight. Anything less than profound reforms, including senior heads rolling, will leave Osorio Chong open to criticism. But it is a moot point whether a root-and-branch reform of the prison system, for instance, or replacing senior officials, will actually expunge institutional corruption.

The Mexican think tank, Centro de Investigación para el Desarrollo (Cidac), released a report this week arguing that the government had mistakenly believed Guzmán's capture last year to be a sign of inter-institutional efficiency. It contended that despite investing M\$12.26bn (US\$776m) in 2013 in the prison system and M\$365 (US\$23m) in tightening security at Altiplano, the stark message was that "with sufficient money and power anything is possible in Mexico".

So far three public officials, including the director of the Altiplano prison, Valentín Cárdenas Lerma, have been dismissed and are being investigated, and a reward of M\$60m (US\$3.8m) has been issued for Guzmán's recapture. But Gustavo Madero, the president of the right-wing opposition Partido Acción Nacional (PAN) called for many more heads to roll. When Guzmán first escaped in 2001 on the PAN's watch, the Partido Revolucionario Institucional (PRI) accused PAN officials of being corrupt and incapable. The PAN is revelling in giving the PRI-run government the same treatment the PRI dished out then.

Madero urged Peña Nieto not to "cover up the corruption and inefficiency in the government's security team". He said that Osorio Chong, touted as a possible PRI presidential candidate in 2018, must go, along with Rubido and the head of the centre for investigation and national security (Cisen), Eugenio Ímaz.

Miguel Alonso Raya, a federal deputy for the left-wing opposition Partido de la Revolución Democrática (PRD), said the plan to spring Guzmán "needed the support of government resources, time, personnel and engineers," adding "there had to be top officials involved." He also accused both the PAN and the PRI governments of being complicit in protecting Guzmán's illicit activities.

Meanwhile, Andrés Manuel López Obrador, the leader of the radical left-wing Movimiento de Regeneración Nacional (Morena), released a video

Uber's appeal

Uber's ability to allow its customers to contract drivers at any time for a pre-arranged price, to know the identity of their driver, plan and track the journey online and know in real time the availability of the service, makes it more trustworthy and safe than regular public transport services. All of this is very appealing for users in Mexico City, where almost everyone knows at least one anecdote of a kidnapping, or an aggression that occurred in a traditional taxi (often due to disagreements over the fare). Pointedly Cofece has noted that services such as Uber "facilitate, through technology, the interaction between users and drivers, thus reducing the information deficiencies and coordination issues inherent to taxis in the past".

message calling on Peña Nieto to return from France "so you can help protect Mexico's image and prevent the country from becoming a laughing stock".

Peña Nieto has ruled out cutting short his visit to France, which ends on 18 July, while Osorio Chong has so far emphatically ruled out resigning. He will have to respond to a summons by the bicameral national security commission of the federal congress on 16 July, however, together with Rubido, Ímaz, and the attorney general, Arely Gómez González, to face questions about Guzmán's escape.

TRACKING TRENDS

MEXICO | Record formal job creation. On 8 July Mexico's social security institute (IMSS) reported that 78,435 formal jobs had been created in June, the highest June job creation figure since monthly measurements of this indicator began in 1997. Indeed the latest monthly formal job figure was not only 35,140 higher than in June 2014, but 43,739 more than the monthly average registered in the past decade. All of this will be encouraging for the government led by President Enrique Peña Nieto, which has set out to reduce the size of the country's large informal employment sector.

According to the IMSS, the number of registered formal jobs to 30 June was 17.7m, 85.7% of which are permanent, while 14.3% are temporary. The IMSS highlighted that with the June figures, the cumulative formal job creation figure for the first half of 2015 was 434,708, 31,254 more than during the comparable period last year. The IMSS report says that the increase was driven by the creation of formal jobs in the construction, industrial and communications & transport sectors, with the states of Baja California and Quintana Roo being the states exhibiting the highest increases in job creation. The IMSS figures suggest that formal job creation will once again increase this year after posting a 4.4% increase last year after 745,780 formal jobs were created.

MEXICO | Uber. On 8 July civil society groups presented a petition with 121,500 signatures to the Mexico City government asking it to come up with "light regulation" for crowd-sourcing transport services or transport network firms. The request comes after Mexico's federal anti-trust commission (Cofece) released a formal opinion last month on the services offered by firms such as the US-based, Uber, and Spain-based, Cabify, in Mexico.

As in other countries, Mexican taxicab drivers have been holding demonstrations against Uber in the past few months, claiming that its service represents a form of unfair competition to their business. Taxicab drivers argue that by not being subjected to any sort of regulations, such as licensing or insurance requirements, these services are able to undercut regular taxi cab fare prices. This led to Uber and similar services being barred from operating in certain parts of Mexico.

However, in its opinion note, made public on 10 June, Cofece said that "transport services via mobile platforms, such as Uber and Cabify, are the result of technical and innovative progress and constitute a new product in the market generating social well-being". It added that the benefits these services provide should be formally recognised as a new category of public transport modality (*see sidebar*). This means that Cofece does not consider these services to be in direct competition with taxicabs.

Cofece recommends not imposing restrictions on the service such as licensing requirements or fare schedules, but it does recommend that these be subjected to some level of regulation in matters of "security and protection of the user of the service" that do not "impose unjustified restrictions to fair and free competition". Although Cofece's opinion carries no legal weight, it provides relevant support for crowd-sourcing transport services against the arguments presented by taxicab drivers.

In this context, a group of Uber users presented their petition to the Mexico City government, which has allowed these services to operate in its jurisdiction without any restrictions until now.

Bolivian Church-State relations

While Paraguay's President Horacio Cartes and Ecuador's President Rafael Correa are practising Catholics, Bolivia's President Evo Morales, who was raised as a Catholic, fell out with the Catholic Church after assuming power in 2006 due in part to tense relations with Julio Terrazas, the cardinal archbishop of Santa Cruz, who accused him of autocratic leadership. In 2008, Morales denounced the Catholic Church as "an instrument of domination" and, in 2009, Bolivia was declared a secular state in a referendum. Morales said ties with the Church had improved significantly since Pope Francis entered the Vatican as "we agree on issues like capitalism, the rights of Mother Earth and the distribution of wealth".

SPECIAL FOCUS

ECUADOR-BOLIVIA-PARAGUAY | PAPAL VISIT

Pope relishes in political engagement

Pope Francis completed a week-long tour of three countries – Ecuador, Bolivia and Paraguay – on 12 July. These are three of the poorest countries in Latin America with some of the largest indigenous populations where the Catholic Church, while dominant, faces a stiff challenge from secularism, evangelical Protestantism (especially among the indigenous), and 'liberation theology'. It was an eminently political tour. Pope Francis, in marked contrast to his predecessors, acknowledges that the diminishing influence of the Catholic Church in Latin America can be attributed to its failure to identify with its people. He spoke out against unfettered capitalism and in favour of the poor, marginalised and exploited wherever he went, and called for social justice, which is the main thrust of 'liberation theology'.

The core of the Pope's message in masses and meetings from Quito to Asunción was the need for social justice, and he took every opportunity to speak out in defence of the poor and downtrodden, and, in Paraguay, met a married gay activist, as well as standing up for women. Addressing some 500,000 people at the Marian Shrine of Caacupé, the capital of Paraguay's department of Cordillera, on 11 July, he praised at length "the women, wives and mothers of Paraguay, who at great cost and sacrifice were able to lift up a country devastated and laid low by war [the 1865-1870 War of the Triple Alliance which wiped out some 80% of Paraguay's male population]. In a powerful gesture to the country's indigenous people, he also recited 'The Lord's Prayer' in Guaraní.

The Pope's message throughout was also that governments should strive for inclusive economic growth with social justice. Speaking in Quito's Parque Bicentenario on 7 July he said "Our unity can hardly shine forth if spiritual worldliness makes us feud among ourselves in a futile quest for power...or economic security. And this on the backs of the poorest, the most excluded and vulnerable, those who still keep their dignity despite daily blows against it."

The Pope expatiated on this theme during a speech in La Paz cathedral on 8 July: "Without even being conscious of it, we confuse the 'common good' with 'prosperity'...and the ideal of the 'common good' gets lost". He said this "can breed conflict and social disintegration; as it becomes more prevalent, it opens the door to the evil of corruption, which brings so much discouragement and damage in its wake." He enlarged upon this particular 'evil' again in Paraguay during a meeting with civil society representatives in the León Condou stadium in Asunción on 11 July attended by President Horacio Cartes, who has been dogged by corruption allegations. "Corruption is the worm, the gangrene of the people," the Pope said, while arguing that "Economic progress must be measured by the integral dignity of persons, especially the most vulnerable and helpless".

Much of the discourse employed by the Pope came straight out of the manual of 'liberation theology' which took root in Latin America in the late 1960s in response to rampant poverty, inequality and social injustice. The Pope's predecessors were critical of 'liberation theology', which they equated with Communism (Vatican hostility fuelled by the fact that the Catholic Church hierarchy in parts of the region was characterised as belonging to the privileged class that had long oppressed the indigenous). But Pope Francis has recognised the need to embrace the teachings of 'liberation theology' in order to staunch the flow of Catholics in the region to evangelical Protestantism. His decision to expedite the beatification of El Salvador's Archbishop Oscar Romero, which took place last May, sent a

Papal visits

Pope John Paul II was the last pontiff to visit Ecuador, in 1985, and Paraguay and Bolivia, in 1988. The first visit by Pope Francis to Latin America as pontiff came in July 2013, when he travelled to Brazil where the Catholic Church is struggling to resist the encroachment of evangelical churches. He will be back in the region this September when he will visit Cuba en route to the US, and next year he is expected to travel to Argentina, Chile, Uruguay and possibly Peru. A visit to Colombia has been pencilled in for 2017, which will be the tail end of the administration of President Juan Manuel Santos when the Pope will be hoping to celebrate the completion of the peace process between the government and the Fuerzas Armadas Revolucionarias de Colombia (Farc).

strong message in this regard: Romero is a regional icon, assassinated in 1980 for his outspoken defence of the poor.

Morales and Correa draw parallels

By championing the poor and underprivileged, the Pope was hailed as a “brother” by President Morales, while President Correa argued that “Modesty aside, the Pope’s message coincides with what we are doing in the country”. Ecuador’s opposition accused Correa of politicising the Pope’s visit by erecting billboards with papal quotes he argued reflected the goals of his ‘Citizens’ Revolution’.

But while Correa and Morales were keen to draw parallels with the goals of their ‘revolutions’, another principal theme of the Pope’s discourse was the need for “genuine dialogue” with adversaries, an area where neither Correa nor Morales has excelled. The Pope made a big show of urging dialogue throughout his tour. On 5 July, in his opening address at the ‘Mariscal Sucre’ International Airport in Quito, he called for “respecting differences, fostering dialogue and full participation”. Speaking at the International Airport ‘El Alto’ in La Paz on his arrival in Bolivia, on 8 July, the Pope said “Bolivia is making important steps towards including broad sectors in the country’s economic, social and political life. Your constitution recognises the rights of individuals, minorities and the natural environment, and provides for institutions to promote them” But he pointedly added: “To achieve these goals a spirit of civic cooperation and dialogue is required, as well as the participation of individuals and social groups in issues of interest to everyone.”

Correa and Morales have both enshrined popular dialogue at the heart of their political movements, but this does not extend to dialogue with representatives of the people from the ranks of the opposition, who they routinely accuse of seeking to destabilise their governments. The Pope mentioned the urgency of “building bridges” on numerous occasions. This was intended to include the domestic opposition, although Morales preferred to apply it to Chile for denying landlocked Bolivia its coveted sea access. Morales, who unsubtly welcomed the Pope “to this part of a great nation, which has been severed from the sea”, scored a diplomatic coup when the Pope not only touched upon this most sensitive of geopolitical issues but also supported Bolivia’s claims as just (see page 16). This was clearly painful for Chile, one of the most Catholic countries in the region, which the Pope chose not to visit (much as swing states in the US can expect presidential visits and safe states are taken for granted).

Broaching sensitive issues

Neither did the Pope shy away from other sensitive issues. On two occasions in Ecuador, for instance, he spoke out about the need to protect the environment. “The tapping of natural resources, which are so abundant in Ecuador, must not be concerned with short-term benefits,” he said. Correa was elected in 2007 on the back of a strong pro-environment message but he subsequently performed a U-turn on an ambitious scheme to leave oil untapped in the Yasuní national park and has expanded extractive activities to bankroll his ‘Citizens’ Revolution’.

In Paraguay, the Pope praised “progress” towards building “a solid and stable democracy”, but he did not mince his words about corruption. He also called for “the banishment of the temptation to be satisfied with purely formal democracy”. Speaking in the grounds of the presidential palace, he urged that “there will never again be children without access to schooling...small farmers without land to cultivate, or *campesinos* forced to leave their lands for an uncertain future,” the latter a deeply sensitive political issue. He also visited the slum of Bañado Norte on the outskirts of the capital. Many residents here are squatters on municipal land, hailing from rural areas in north-eastern Paraguay where large tracts of land have been acquired by Brazilians and multi-national companies.

Last chance saloon for peace**Santos on latest announcement**

President Santos said that the latest agreement in Cuba provided “a ray of hope that a final accord can be reached [as] de-escalating the conflict again and reducing the intensity of the war is urgent”, but only by “hitting the accelerator”. Santos added that “We should not be afraid of peace but definitely of war”.

President Juan Manuel Santos has come closer than ever before to setting an ultimatum for the peace negotiations between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Cuba to be concluded. The negotiating teams representing both sides issued a joint statement on 12 July designed to restore some public faith in the peace process and allay concerns about it being derailed. Santos promised to respond to the Farc restoration of a unilateral ceasefire on 20 July [WR-15-27] by instructing the military to de-escalate the conflict, but he stressed that he would review the progress made four months from that date and decide then whether to proceed with or abandon the talks.

Just a week after the head of the government negotiating team, Humberto de la Calle, claimed that the peace process had reached its “worst moment”, he hailed an agreement designed to expedite the talks as providing a “great chance to end this conflict”. Such are the ebbs and flows of the peace process. The latest agreement, however, suggests that the Farc might just have revised its opinion of President Santos to someone who, while prepared to stake his political legacy on peace, will end the talks if pushed hard enough.

Both sides agreed to incorporate a delegate from the office of the secretary-general of the United Nations (UN) and one assigned by Uruguay, the pro tempore president of the Union of South American Nations (Unasur), to the sub commission set up earlier this year comprising active members of the armed forces and guerrillas to discuss the logistics of disarmament and demobilisation in post-conflict Colombia. They will also assist with monitoring and verification of the Farc’s ceasefire. To inject a sense of urgency into the talks – the issue of victims is still being discussed almost a year after being introduced to the negotiating table in August 2014 – both sides also agreed to alter the structure of the talks, discussing all the outstanding issues at once rather than seeking to strike an accord on one topic at a time.

The head of the Farc negotiating team, ‘Iván Márquez’ (Luciano Marín Arango), said the new structure for the dialogue process amounted to “a vigorous, promising and hopeful re-launch of the peace talks”. De la Calle, meanwhile, said the agreement should help reduce public scepticism about the process, but he emphasised the need to make progress on the issue of justice, perhaps the biggest sticking point as the Farc negotiators oppose even the most lenient prison sentences. While he described the announcement as “an important step to advancing toward agreement”, Santos also stressed that the “defining” challenge for the talks was the issue of “the maximum justice to permit peace”.

During a 13-minute public address to outline the new plan, Santos urged the Colombian people to “believe” that peace would be achieved and said that reducing the intensity of military operations was “an advance towards humanising the war to avoid more victims, pending a definitive accord”. His detractors immediately accused Santos of rewarding the Farc with the bilateral ceasefire it has long sought and he has refused to grant. De la Calle and the Santos administration were at pains to stress this was not the case and that a bilateral ceasefire would only be considered on 20 November if the Farc upholds its own ceasefire and if sufficient progress is made by the negotiating teams in Cuba.

Tilting the playing field

María Corina Machado is the latest high-profile opposition politician to be effectively ruled out of this year's midterm legislative elections. Machado was notified by the comptroller general's office of her ineligibility to hold any public post for a period of 12 months, based on "inconsistencies" in her sworn statement of assets, submitted earlier this year. Specifically, she was accused of failing to include in her statement the 'CestaTickets' (food tickets) that she was entitled to as a national deputy. Machado says she never received the tickets and so did not include them.

The decision technically does not prevent Machado from running in the 6 December elections, but if elected she would be unable to take up her seat. Machado in response said that she still intended to run (as an independent), saying the decision was "political". The Assistant Secretary of State for Western Hemisphere Affairs at the US State Department, Roberta Jacobson, appeared to agree. In two tweets dated 15 July she said she was "very concerned over exclusion of @MariaCorinaYA from public office for a year #Venezuela", adding that "Inclusiveness and a level playing field are key for free, fair elections in #Venezuela."

Machado was controversially stripped of her seat in the unicameral national assembly in March last year on charges of violating the Venezuelan constitution by accepting an invitation from Panama to speak at the Organization of American States (OAS). The state prosecutor's office then indicted her in December 2014 on charges of taking part in an alleged assassination plot against President Nicolás Maduro – charges she says are ludicrous. As part of that indictment she was barred from leaving the country. The Maduro government has also accused her of enlisting the help of the US embassy in Caracas as part of alleged conspiracy efforts.

Machado, long an outspoken critic of the Chavista government, has been something of a hate figure in official circles ever since she backed the attempted coup in April 2002 against the late Hugo Chávez (1999-2013). Her reputation as public enemy number one was cemented in May 2005, when she was hosted in the Oval Office by the-then US president, George W. Bush. She has travelled extensively in the region, the US and Europe to publicise her criticisms of the government, and despite her reputation as an extreme right-winger was the most-voted deputy in the last legislative elections held in September 2010. Pictures of her bruised and bloodied face following a violent fracas in the legislature in May 2013 made international headlines. Silencing her has long been a fairly clear official objective.

Machado is not the only high-profile politician under pressure. The imprisoned former opposition mayor of San Cristóbal (capital of the western border state of Táchira), Daniel Ceballos, received notification early in July that he could not hold office for 12 months. Ceballos, replaced as mayor by his wife, was chosen by a wide margin as a legislative candidate for the opposition in primaries held in mid May.

In April, the CG's office also alleged inconsistencies in the asset statements of the popular Caracas deputy Julio Borges, who along with the Miranda state governor and twice former presidential candidate Henrique Capriles Radonksi heads up the leading opposition party Primero Justicia. Borges was also accused in February of conspiring against the government and threatened with revocation of his parliamentary immunity and legal action (yet to materialise).

Machado responds

"In its agony, this regime is seeking to hold on to power. ... We're living the most corrupt and dishonest electoral process in our history," María Corina Machado said. She has 15 days to appeal the comptroller general's decision.

Extending the crackdown

President Maduro ordered that the 'Operación Liberación del Pueblo' (OLP) be extended to the entire country to "free people from criminal gangs". According to the minister for communes and social movements, Elías Jaua, the OLP will be rolled out next in the central state of Miranda (surrounding Caracas), governed by opposition leader Henrique Capriles Radonski.

Devaluation and inflation

The black market exchange rate was trading at BF621.67/US\$1 on 15 July, according to the Miami-based website *DolarToday.com*, which calculates the (officially illegal) rate based on trade at the Venezuela-Colombia border.

Only a fortnight ago, the black market rate was BF500/US\$1. This accelerating devaluation – the parallel rate is now over three times the official free-floating Simadi rate (trading at about BF199/US\$1) – has prompted alarm in the country, with the local Catholic hierarchy, the Episcopal Conference, calling for "urgent [and] sensible economic measures" to stop the "terrible consequences" for ordinary citizens, among which it cited a nationwide shortage of food and medicines.

The central bank, however, has the printing presses in overdrive. According to the daily *El Nacional*, extraordinary budget spending has soared again this year. The approved 2015 budget was for BF741.7bn (US\$116bn at the fixed official exchange rate of BF6.3/US\$1). In the first half, BF411.98bn (US\$65bn) in additional spending was approved, according to calculations by *El Nacional*, up 166% over the amount of additional spending approved in the first half of 2014. And this even though the 2015 budget was already over a third higher than the BF551bn (US\$87.4bn) budget for 2014.

In May and June alone, an extra BF211.8bn was signed off by the national assembly, after President Maduro decreed a 30% minimum wage increase on Labour Day. But with inflation now estimated by private economists to be running in triple digits, even this increase becomes meaningless in practice. Prices go up every 2-3 days, according to local retailers, with price signals extremely volatile. Inflation estimates by private economists for the month of May ranged from 108% to 118%, which would be the highest rate since Venezuela first began recording inflation 60 years ago. Russ Dallen of Caracas Capital Markets, a Venezuela-based investment bank, puts inflation even higher, at 185%. Inflation's last official triple-digit peak was almost 20 years ago; it hit 114% in September 1996 in the wake of an International Monetary Fund (IMF) adjustment package.

With the money supply effectively out of control, economists are starting to fret about hyperinflation. Technically, Venezuela is not yet in hyperinflationary territory, but with the Maduro government unlikely to rein in spending before the 6 December elections, the coming months are likely to get worse for consumers. The big question is whether they register their frustration at the polls.

'Operation Free the People'

The interior & justice minister, General Gustavo González, announced that 15 presumed criminals had been killed and over 200 arrested (including 32 foreigners) during the launch in Caracas of 'Operación Liberación del Pueblo' (OLP). The latest security crackdown comes as the government of President Maduro continues to register record low approval ratings (of around 20% according to recent polls) ahead of the legislative elections. Public insecurity remains a major public concern; the country's homicide rate was 82 per 100,000 in 2014 according to the local NGO, Observatorio Venezolano de la Violencia (OVV).

According to General González, 2,500 officers from the Bolivarian national police (PNB), the judicial police (CICPC), the Bolivarian national guard (GNB, militarised police) and the national intelligence services (Sebin) took part in the operation in Caracas and the neighbouring state of Aragua on 12 and 13 July. The operation was concentrated in the Caracas municipality of Ciudad Tiuna and in Cota 905', a slum area in the central municipality of Libertador. González said seven criminal gangs had been dismantled.

Maduro hailed the operation as "a coup" against "foreign paramilitary groups". He said that 40 of those arrested were suspected of links to paramilitary groups acting on behalf of extreme right-wing conspirators bent on destabilising the country. Yet Maduro has yet to provide firm evidence of this 'war' against the country, which he says is devised and funded by a "Madrid-Miami-Bogotá axis". A more mundane explanation is that local gangs routinely use Colombian 'guns for hire' in support of their criminal activities.

Filling key posts

Bolivia's plurinational 166-member bicameral legislature picked six of the seven new magistrates for the supreme electoral court (TSE), with the other chosen by President Evo Morales as per 2010 legislation. The appointments follow the crisis earlier this year when TSE magistrates quit en masse amid accusations of ties to Morales' Movimiento al Socialismo (MAS) [WR-15-22] and concerns of its handling of the March gubernatorial and local elections.

The new TSE justices include two former presidents of the now defunct national electoral court (CNE), Antonio Costas (2009-2010) and José Luis Exeni (2008-2009). Two others – Katia Uriona and Ildefonso Mamani – also have experience in electoral issues: Mamani was departmental director of the civic registry service in the south-western department of Potosí; Uriona, a prominent women's rights activist since picked by the court as its president, worked for the International Institute for Democracy and Electoral Assistance (International IDEA).

The other two justices elected by the legislature, Dunia Sandoval and María Choque, are academics while the presidential appointee, Lucy Cruz Villca, a former legal advisor to state mining company, Corporación Minera de Bolivia (Comibol), was recently head of the departmental electoral court for Oruro. The appointment of Cruz, Uriona, Sandoval and Choque comply with gender parity requirements while Mamani and Choque identify as indigenous – in line with the requirement at least two judges must be indigenous.

The opposition Unidad Demócrata (UD) is already accusing Mamani of links to the ruling party (claiming that he campaigned for the MAS in the March gubernatorial elections in Potosí department). How far the new TSE is able to shrug off concerns regarding its ties to the MAS is a moot point.

PERU | POLITICS & ECONOMY

Unions try to ratchet up pressure on Humala

The umbrella trade union Confederación General de Trabajadores del Perú (CGTP) mobilised thousands of members in a day of protest against the economic policies of the government led by President Ollanta Humala on 9 July. The president of the CGTP, Carmela Sifuentes, claimed that 25,000 workers demonstrated nationwide (4,000 marched to congress in Lima), staging marches and erecting roadblocks to demand, inter alia, that the minimum wage be doubled from NS\$750 (US\$235) to NS\$1,500; greater respect for labour rights and collective bargaining; and that the government take significant steps to combat corruption and impunity.

The CGTP protests took place as far afield as Cuzco, the capital of the eponymous region in the southern highlands, and Iquitos, the capital of the northern Amazon region of Loreto. It was largely a peaceful day, although the police had to break up some roadblocks on the interoceanic highway to Brazil and they used tear gas to disperse protesters in Huancayo, the capital of the central highland region of Junín.

The timing of the protests looked designed to apply some pressure to Humala in advance of his last state-of-the-nation address on 28 July, when his final year in office will commence. Humala is widely expected to use his address to present economic measures to provide incentives for private investment drawn up under the extraordinary legislative powers recently conferred on his administration by congress.

Referendums

The first task of the TSE will be to organise five referendums to ratify autonomy statutes due in five of Bolivia's nine departments (La Paz, Cochabamba, Oruro, Chuquisaca and Potosí), in line with a provision of the 2009 constitution that aims to grant local governments greater powers. The referendums had initially been scheduled for 12 July but they were pushed back to 20 September following the crisis in the court.

Correction: Many thanks to one of our eagle-eyed subscribers for pointing out that contrary to what we wrote in last week's [WR-15-27] article 'Gassing on with the neighbours', discussions between Bolivia and Peru and Paraguay were regarding liquefied petroleum gas (LPG) exports and not liquefied natural gas (LNG) exports. We apologise for any confusion.

Colombia-Japan EPA

On 14 July Colombian and Japanese representatives met in Bogotá to initiate the XII round of negotiations for the Japan-Colombia Economic Partnership Agreement (EPA), which will go on until 17 July. Colombia's trade minister, Cecilia Álvarez-Correa, highlighted the importance of negotiating a trade agreement with the world's third largest economy and biggest food importer. According to trade ministry data, bilateral trade in goods between Colombia and Japan amounted to US\$1.86bn last year. According to Álvarez-Correa once a bilateral EPA deal is reached, exports of agricultural and industrial goods, as well as services, will be diversified. In last year's round of negotiations, which took place in Tokyo in May, progress was made in areas such as trade in goods, government procurement and rules of origin.

ECUADOR | CAF credit line. On 14 July Ecuador's finance ministry announced that the Latin American Development Bank (CAF) had opened a new US\$400m credit line for electricity-related projects in the country. A ministry statement, explained that the funds would be used to help achieve the government's objective of changing the country's energy matrix by moving away from the use of fossil fuels, in particular natural gas, towards using more electric power. Achieving this has been described as "vital for the country's future development" by the government led by President Rafael Correa.

While Ecuador is a net crude oil exporter, its natural gas production has been lagging behind for years due to lower levels of investment in this sector and the country currently consumes its entire natural gas production (which reached 600m cubic metres per day in 2014). Aware that developing the necessary infrastructure to expand the country's natural gas production could take years, and that demand for the fossil fuel could outstrip the national supply in this time, the Correa government has been pursuing an ambitious plan under which it plans to get some 3m households to switch from natural gas fired cookers to electricity-powered induction cookers. In fact, María Soledad Barrera, the president of Ecuador's national financial corporation (CFN), has said that part of the CAF credit money will be used in this specific project over the next three years. According to Barrera, the credit line will also be assigned to other programmes designed to promote the substitution of fossil fuels with renewable energy sources.

BOLIVIA | Lithium processing plant. On 13 July Bolivia's Gerencia Nacional de Recursos Evaporíticos (GNRE), a state-owned firm, signed a contract with Chinese firm, Camc Engineering Co. Ltd., which is affiliated to the China national machinery industry corporation, for the building of a lithium processing plant in the Uyuni salt flats, located in the south-western department of Potosí. Bolivia's President Evo Morales, Vice-President Álvaro García Linera and China's ambassador to Bolivia, Wu Yuanshan, were among those present at the signing of the contract.

According to Morales, the signing of the contract marked a historic moment for Bolivia, since it represents a significant step in the industrialisation of lithium production in the country. According to Luis Alberto Echazú, GNRE's national manager, Potosí has the biggest lithium reserve in the world and the plant will be the biggest factory in Uyuni municipality. It will also be among the 10 largest in the world and the fourth largest in Latin America. It is estimated that it will take some 30 months to build the plant at a cost of US\$178m. The goal is to have it operational by 2018. According to the GNRE, once fully operational, the plant will produce 700,000 tonnes of lithium per year.

COLOMBIA | Net FDI plummets in June. On 14 July Colombia's central bank (Banrep) released its national investment figures, which showed that net foreign direct investment (FDI) in the country fell by a sharp 94% year-on-year in June. According to the Banrep figures, in June FDI in Colombia was US\$166m compared to US\$2.98bn recorded in June 2014. This fall is primarily explained by a decrease in investment in the oil & mining sector. While there was a 13.4% increase in foreign investment in other sectors to reach US\$261.6m, investment in the oil & mining sector fell by 40.1% year-on-year to US\$746m. Meanwhile, Banrep figures also showed that foreign investors pulled a net US\$490m out of the country in June.

As the security in Colombia has improved, the country has enjoyed a decade-long increase in FDI, mostly driven by investment in the oil & mining sector. However, as a result of the recent significant fall in international oil prices, FDI inflows in Colombia have tapered off, resulting in lower domestic economic growth. All of this is problematic for the government led by President Juan Manuel Santos given that it has embarked on an ambitious multi-year infrastructure development investment plan. The lower level of investment and economic activity is now working against this. Indeed on the same day the Consejo Nacional de Política Económica y Social (Conpes) approved the government's proposed 2016 budget for Col\$167.2trn (US\$62.3bn), a modest 2.3% reduction on the previous year's budget. Finance Minister Mauricio Cárdenas explained that the reduction in the investment plan is "a consequence of austerity resulting from the fall in international oil prices". Among the sectors most affected by the cuts are the key areas of agriculture and housing.

Productivity commission

President Bachelet's newly created advisory commission on productivity will be composed of professionals, and trade union and business leaders, presided over by Joseph Ramos, head of the department of economics at the Universidad de Chile. Its remit will be coming up with recommendations for the design, implementation and evaluation of policies and reforms to stimulate the country's productivity – "the source of economic and social progress" to cite Ramos. Australia and New Zealand created similar commissions which were praised by the Organisation for Economic Co-operation and Development (OECD) as examples of good practice.

BRAZIL & SOUTHERN CONE

CHILE | POLITICS

Bachelet gets down to brass tacks

President Michelle Bachelet has indirectly admitted defeat some 16 months after taking office. After a cabinet meeting on 11 July lasting most of the day, Bachelet informed the public that a struggling economy had imposed constraints on her ambitious reform agenda, compelling her to usher in the "second phase" of her mandate corresponding to "realism without resignation". This confession came just after Bachelet created a commission on productivity to advise her government on ways to boost growth.

Flanked by her cabinet ministers in the presidential palace La Moneda, President Bachelet conceded that the "economic slowdown has been longer and deeper than we hoped". Bachelet added "We have to be sincere. The Chilean people are sensible and understand that there are difficulties in life that require organising... and prioritising issues... Without growth there is no sustainable reform." Bachelet said the change in tack was "for the well-being of families" as the main focus of the government would be improving growth in order to enhance social benefits. She said one of the big challenges would be "identifying the necessary adjustments" imposed by slow growth and persistently low private investment.

Bachelet said that her government would establish priorities, such as the construction of 20 hospitals before the end of her term in 2018, and the "gradual assignation of resources" to finance free university education but this would be subject to economic growth over the next few years. Bachelet did not go into further detail but the umbrella trade union Central Unitaria de Trabajadores de Chile (CUT) staged a march in Santiago the very next day to demand the approval of a labour reform promoted by the government and reviled by the private sector, and a new constitution. "We face difficult times but when has that not been the case?" the CUT president, Bárbara Figueroa, asked rhetorically. Bachelet can also expect more protests from students and striking teachers already disgruntled with the pace of education reform.

Bachelet created an advisory commission on productivity (*see sidebar*) as part of efforts to improve ties with the private sector, which has accused her government of an anti-business bent, and blames a contentious tax reform and the proposed labour and constitutional reforms as creating the uncertainty which has dried up private investment and hampered growth. Bachelet did not admit that she had overreached herself or that her reform agenda might have been mistaken, playing a part in Chile's faltering growth. Instead, she implied that if the economy picks up she will revisit it – which might prevent the economy from picking up.

Troubling growth

An editorial in the national daily *La Tercera* argued that "In less than 18 months, the government has turned the jaguar of the region into a wet cat, resetting its targets and growth projections month after month". On 6 July the finance minister, Rodrigo Valdés, reduced the GDP growth forecast to 2.5% for 2015, well down on a 3.6% projection last September, and consistent with a central bank forecast in early June of 2.25%-3.25% growth. The leader of President Bachelet's Partido Socialista (PS), Isabel Allende, denied that the government was "on the verge of collapse" due to the economic slowdown, claiming that "two-thirds of the current situation is down to external factors". But it is not just low growth that forced Bachelet's hand. The serious slump in her popularity caused by unremitting corruption investigations forced a change away from a problematic reform agenda dependent upon a strong approval rating.

Senators bridle at latest 'Operation Car Wash' searches

US lawsuit against Petrobras

On 9 July, a US district judge in Manhattan decided to allow the class action suit against Petrobras to go forward, denying the company's motion to dismiss the US lawsuit. However, the judge stated that shares purchased in Brazil should be subject to arbitration there. Shareholders who acquired their American depository receipts (ADRs) in New York brought the suit. They are to present their proposals by mid-July. The trial proper could begin on 1 February 2016.

Renan Calheiros, the president of the federal senate, said on 15 July that the upper chamber was studying what kind of lawsuit it could file against the federal police at the supreme court over the latest searches carried out by law enforcement officers as part of the embezzlement investigation into the state-owned energy company Petrobras. Calheiros, from the nominally government-allied Partido do Movimento Democrático Brasileiro (PMDB), expressed indignation at recent swoops on the homes of former president Fernando Collor de Mello (1990-1992), from the Partido Trabalhista Brasileiro (PTB); Fernando Bezerra Coelho, from the Partido Socialista Brasileiro (PSB), and Ciro Nogueira, from the Partido Progressista (PP). The impounding of three of Collor's luxury cars, including a red Ferrari, dominated the front pages of the Brazilian media on 14 July.

According to a list published by the federal attorney general, Rodrigo Janot, earlier this year, 47 politicians are under investigation for participating in the bribery and kickback scheme at Petrobras. Twenty-two are federal deputies, 12 are federal senators, 12 are former deputies and one is an ex-governor. They belong to five parties: the PP heads the list with 32 under suspicion; followed by the PMDB with seven; the ruling left-wing Partido dos Trabalhadores (PT) with six; the main opposition Partido da Social Democracia Brasileira (PSDB) with one; and the PTB with one. Only the supreme court can authorise searches of serving politicians.

The latest arrests are part of the latest phase of 'Operation Car Wash', known as 'Operation Politeia', in reference to the perfect city in Plato's Republic. "Everyone is obliged to answer to the courts, especially public figures," Calheiros, said. "But even so, some of the methods [used by police] are perplexing and verge on intimidation." Collor complained that as the operation was still at the investigation phase, and he had yet been called to give testimony, the raid on his residence was a "media stunt".

The government is counting on the fact that Calheiros and Eduardo Cunha, the PMDB speaker of the federal lower chamber, are likely to face similar treatment by the federal police in the coming weeks. Both are on Janot's list. Júlio Camargo, an executive from Toyo-Setal implicated in the Petrobras scheme, is expected to provide testimony against Cunha, who has already been accused of receiving bribes by Alberto Yousseff, one of the black market money dealers whose evidence has proved key to the development of 'Operation Car Wash'.

Cunha, who has skilfully executed a number of defeats on the PT and its allies in the lower chamber of congress, despite its apparent numerical advantages, has told friends he is expecting a police investigation imminently. Like Calheiros, Cunha claims the charges against him are politically motivated and the work of the PT's justice minister, José Eduardo Cardozo. The speaker of the lower chamber has vowed that any inquiry into his affairs will only encourage him to "increase the pressure" on the government.

Already, the fractious relationship between the PT and the PMDB, the two biggest parties in the country, is at a low ebb. On 15 July, Cunha declared the "wedding is over". Even Michel Temer, Brazil's vice-president from the PMDB who has a good relationship with President Dilma Rousseff, has said that the party plans to break with its longstanding tradition of absenting itself from the next presidential race in order to support the winner. The PMDB is now actively looking for presidential candidates for 2018, with the mayor of Rio, Eduardo Paes, a likely frontrunner.

Poverty statistics provide some ammunition for Macri

More than 28% of Argentines live in poverty, according to an annual survey released by the social observatory of the Universidad Católica Argentina (UCA) on 14 July. The figure is up 1.3% on a 2014 survey, and means 11m Argentines are living below the poverty line, defined as Ar\$5,717 (US\$440). Mauricio Macri, the leading opposition contender for the presidency, seized on the survey and the government's subsequent denial of the figures, as evidence of its "lies" over "insecurity [...] inflation [...] and poverty".

On a visit to the United Nations Food and Agriculture Organization (FAO) in Rome last month, President Cristina Fernández claimed that Argentina's poverty rate was "under 5%". Her cabinet chief, Aníbal Fernández, went further to claim that Argentina had a lower poverty rate than Germany – an assertion that was much ridiculed by his critics. In fact, the government stopped publishing data on poverty rates in 2013, and it has since been unable or unwilling to determine how many people live below the poverty line. In March, the economy minister, Axel Kicillof, said that it was a very difficult concept to measure and suggested that doing so risks "stigmatising the poor".

The anti-government newspaper *La Nación* reported that President Fernández had asked her officials to refrain from commenting on the latest UCA survey to avoid damaging her government's relationship with the Vatican. Nevertheless, it was too tempting a target for Aníbal Fernández, who is running for the governorship of the province of Buenos Aires, to stay silent. "It is a made up number," he said on 15 July. "It is false and not even close to reality".

Aníbal Fernández pointed to a 2014 report by the United Nations Economic Commission for Latin America and the Caribbean (Eclac), which showed that Argentina had one of the lowest levels of poverty on the continent, at 8.1%. The report factored in other elements, aside from income into its report, including housing, basic services, education and employment. However, Fernández was referring to a report based on 2012 data, with Eclac acknowledging that poverty rates were likely to have increased since then due to "economic slowdown".

Rising levels of poverty would be consistent with slower economic growth. The ruling Frente para la Victoria (FPV) faction of the ruling Partido Justicialista (PJ, Peronists) has been in office since 2003, and while Argentina enjoyed an average annual growth rate of over 7% between 2003 and 2011 – a period marked by booming commodity export prices – the economy stagnated after 2012, and negative growth is predicted for this year. The UCA report says that poverty levels have been growing since 2011: a major factor last year was inflation, which eroded real purchasing power.

The latest opinion polls put Macri five percentage points behind Daniel Scioli, of the FPV, by 37% to 32%. If no candidate wins 45% of the vote on 25 October, the contest goes to a second round. While Sergio Massa, from the dissident PJ faction Frente Renovador (FR), is trailing Scioli and Macri, it is too early to say exactly how his votes would be divided in a potential second round.

The black market rate for the US dollar has increased to its highest level since November on the news that Scioli is consolidating his lead. Macri's supporters are urging him to be more aggressive in taking on the government. Speaking to Radio Mitre after the UCA poverty figures came out, Macri said it was no surprise that "everyone wants to buy dollars given that the government lies about all aspects of Argentines' lives." He expressed particular contempt for Aníbal Fernández. "When you listen to him you understand that he takes us for the fool that he is."

Amia trial

Argentina's 2nd Federal Oral Court has barred former president Carlos Menem (1989-1999), former judge Juan José Galeano, and 11 other defendants from leaving the country, ahead of their trial for covering up the 1994 bombing of the Amia Jewish centre in Buenos Aires, in which 85 people were killed. The trial is due to begin on 6 August.

Spying rules to change

The Argentine government has set out new rules governing its intelligence services in the wake of the death in mysterious circumstances of the federal prosecutor, Alberto Nisman. The new rules will grant the executive greater authority in dealing with terrorism, cyber-crimes and economic crimes.

In March this year, the Secretaría de Inteligencia (SI) was replaced by the Agencia Federal de Inteligencia (AFI). The AFI's principal focus is to be terrorist threats; acts against the constitutional order; cyber-crime and organised crime, including economic and financial crime. Some of its previous powers, such as wiretapping, have been given to the public ministry.

Oscar Parrilli, the secretary of the AFI, said the new organisation would settle a "30-year long democratic deficit". He insisted that from now on the activities of the Argentine intelligence services would only be carried out with the full authorisation of the State, and there would be no independent initiatives carried out by individual agents.

Nisman, the public prosecutor who accused President Cristina Fernández of "covering up" Iran's involvement in the bombing of the Jewish community centre (Amia) in Buenos Aires in 1994, based much of his evidence on material gathered by Antonio Stiuso, the powerful former head of the SI.

TRACKING TRENDS

BRAZIL | Unemployment rising. One of the few bright spots for the government led by President Dilma Rousseff over the past year has been the persistently high level of employment, despite warning signs from other economic indicators. Now, unemployment is rising: up to 6.7% in May. Many economists believe it will continue to rise over the next two years. A recently announced government scheme to encourage manufacturers to reduce work time and salaries before cutting jobs, the 'Plano de Proteção de Emprego', appears to have had little take up so far.

BRAZIL | Petrobras cuts 2015-2019 investment plan. Brazil's state-owned oil company, Petrobras, has announced that it has decided to reduce its US\$220.6bn investment plan for 2015-2019 by 37%.

In a statement to the São Paulo stock exchange (Bovespa), Petrobras, which is still struggling to overcome the major corruption scandal uncovered at the firm, said that it now plans to invest US\$130.3bn over the period.

According to the Petrobras statement, the investment plan will prioritise oil exploration and production projects, for which US\$108.6bn have been earmarked.

CHILE | Copa América revenue. On 6 July Chile's sports minister, Natalia Riffo, said that according to preliminary calculations by the national chamber of commerce (CNC), the Copa América regional football tournament hosted by Chile between 11 June and 4 July produced between US\$55m and US\$88m in revenue for the country. According to Riffo this was mostly the result of more than 200,000 football fans from across Latin America that visited the country during the tournament. However, Riffo also conceded that the government had spent US\$83m to improve stadiums in the cities of Antofagasta, La Serena, Viña del Mar and Concepción ahead of the tournament. Riffo added that the government would now "make sure that these stadiums are intensively used and remain accessible to [local] communities".

Economic crimes

The AFI's remit covers economic crimes. Within the 408-page doctrine of the new agency it explains that this means it will have the authority to spy on banks, financial firms and other companies in order to prevent runs on bank deposits and speculative practices that could "affect economic or market stability". Oscar Parrilli attempted to shed light on how this would work in practice. He said that agents would not "go to the streets or places where dollars are bought or sold" to uncover illegal currency trading but analyse data and other information and inform the authorities.

Human rights concerns

In its annual human rights report released in May, the human rights group Centro Nicaragüense de Derechos Humanos (Cenidh) noted over the last year that the police as an institution received the highest number of complaints regarding human rights violations (47.49%) – or 749 of 1577 cases. The report flagged up the police’s response to protests against the government’s US\$50bn ‘Gran Canal’ project and in particular, clashes which took place in December 2014 against those who participated in marches held in El Tule and Rivas [WR-15-14], calling them the “consequences of the police’s institutional weakness”.

Familiar concerns over electoral authorities

The recent election of a new judge to Nicaragua’s 10-member supreme electoral council (CSE) triggered protests last week which reignited concerns regarding political violence following clashes between the police and government opponents like Eduardo Montealegre, the national coordinator of the main opposition Partido Liberal Independiente (PLI). With the opposition and human rights groups slamming the police response as the latest sign of the institution’s apparent subjugation to the Frente Sandinista de Liberación Nacional (FSLN) government led by President Daniel Ortega, the developments regarding the CSE come ahead of the November 2016 general elections in which Ortega is widely expected to run and secure a third consecutive victory.

On 3 July the 91-seat unicameral national legislature – in which the FSLN has 62 seats – picked Judith Silva as a new CSE magistrate for a five-year term, with 64 votes in favour and two against. FSLN-aligned and nominated by President Ortega, Silva defeated two other candidates – one put forward by the PLI and the other, by an independent deputy, Mauricio Montealegre, to take the post which was left vacant by José Marengo Cardenal, who died of a heart attack on 11 June. Marengo had been appointed to the court in 2005 by the Partido Liberal Constitucionalista (PLC) of disgraced former president Arnaldo Alemán (1997-2002), although he subsequently broke with that party.

Silva’s appointment to the already deeply discredited CSE – whose president, Roberto Rivas, has been in the post since 2000, overseeing three elections in which the FSLN has secured clear victories (notwithstanding widespread allegations of fraud) – led to protests from the opposition six days later held outside the CSE building in the capital. According to the local press, 15 people were arrested – including Eduardo Montealegre and eight other opposition national deputies (all subsequently released), some of whom claimed to have been attacked by the police. Also arrested (and released) were journalists accompanying the demonstrators including two photographers, Jorge Torres of the main local daily *La Prensa* and Esteban Félix of the *Associated Press*, whose cameras were reportedly destroyed.

The violence prompted concern from human rights groups such as Centro Nicaragüense de Derechos Humanos (Cenidh) and the Comisión Permanente de Derechos Humanos (CPDH), as well as the main private sector lobby, Cacif and the US embassy, which on 9 July released a statement of concern.

Police violence

The reports of police manhandling came days before the institution was back in the news following a botched counter-narcotics operation in which a young woman and two children died.

The incident, which also left two other children injured, took place on 11 July in Las Jagüitas, an area in south-eastern Managua, when officers reportedly confused the family’s vehicle with criminal suspects. According to a police statement, the driver, Milton Antonio Reyes Martínez, failed to obey orders to pull over. However, the local press has cited Reyes and his wife, Leyka Ramírez Delgado, as saying that they did not see a signal for them to stop, only groups of men shooting at their vehicle from both sides of the road.

With 14 police officers currently in custody over the incident, the Cenidh is demanding a full investigation while prominent opposition figures like Dora María Téllez of the dissident Movimiento Renovador Sandinista (MRS) are calling for the national police chief, Aminta Granera, to step down.

Quotes of the week

“This represents, without a doubt, an affront to the Mexican state, but I also trust in Mexico’s state institutions...to recapture this criminal.”

Mexico’s President Enrique Peña Nieto on the escape of the drug kingpin, Joaquín ‘El Chapo’ Guzmán Loera, from a maximum security prison.

“This visit ratifies that the Bolivian people are not wrong [in demanding] a return to the sea with sovereignty. A round of applause for our brother Pope Francis. Many thanks for your message... It seems that our Chilean brothers, some ministers, are crying and saying ‘Evo has manipulated the Pope.’”

Bolivia’s President Evo Morales.

“We must acknowledge that the state administration was not ready to process [so many] structural changes simultaneously. It is part of the obstacles that we have inherited and perhaps underestimated.”

Chile’s President Michelle Bachelet.

Pope stirs up hornets’ nest

Chile has tended to avoid megaphone diplomacy over Bolivia’s longstanding claim to sovereign access to the Pacific Ocean. But Chile’s foreign minister, Heraldo Muñoz, had no option but to respond to remarks by Pope Francis during his visit to Bolivia. The Pope broached the issue in La Paz cathedral on 8 July: “it is essential to improve diplomatic relations...between sister peoples and to advance frank and open dialogue about their problems – And I am thinking here of the sea”. In a press conference on his return flight home he added, “I’d say it’s not unfair to present something like this [Bolivia’s appeal to The International Court of Justice]... [as] there’s always a foundation of justice when there’s a change in territorial borders, especially after a war”.

The Pope’s comments provided an unexpected victory for the Bolivian government led by President Evo Morales (who was quick to thank the Pope for his comments), which brought the case against Chile before the ICJ in 2013. Last year, however, the Chilean government led by President Michelle Bachelet issued a formal challenge to the ICJ’s jurisdiction, arguing that it does not have the authority to rule on international treaties signed between two countries.

Muñoz went on the defensive, insisting that Chile did not feel “pressured” by the Pope and that the important thing was “international law and respect for treaties”. He added that “Chile has always been open to dialogue” and that “it was Bolivia that frustrated it with its unilateral demand [before the ICJ]”. He went on: “we cannot accept as a dialogue what is not more than a demand with one possible result that violates a treaty which is valid and in force”. He said that in response to the Pope’s call for dialogue it was worth reiterating that “Chile is ready as it always has been to renew diplomatic relations with Bolivia”.

But Muñoz let slip his chagrin at the Pope’s comments, saying that Bolivia’s claim affected “the territorial integrity of Chile and is not acceptable as Pope Francis knows. The Holy Father could try to convince the Bolivian government to cease its permanent aggression against Chile...” Muñoz added that he had “the greatest respect” for the Pope who had stressed that the Vatican would not “interfere” in the matter [the Pope actually said something rather different; that it was not appropriate to discuss possible papal mediation while the issue was before the ICJ].

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