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## Troubles mount for Brazil's Rousseff

Rock-bottom approval ratings, an economy in recession and an increasingly hostile congress are not on their own sufficient to initiate impeachment proceedings against Brazil's President Dilma Rousseff. However, they make the conditions for such a process more likely. In another bad week for Rousseff, her mentor and predecessor, Lula da Silva (2003-2011), faced a criminal investigation; an opinion poll found just 7.7% of Brazilians approved of her administration; the government was forced to revise down its fiscal surplus target (with the economy now predicted to shrink by 1.49% this year), and the speaker of the federal lower chamber of congress, Eduardo Cunha, declared his open opposition to the executive.

### Lula investigated

Last week, Brazil's federal district public prosecutor announced the launch of a criminal investigation into allegations of influence-peddling, a crime punishable with up to five years' prison time, against Lula. The charges relate to the period after Lula left office, from 2011 to 2014, when he travelled to various African and Latin American countries at the expense of Odebrecht, the construction giant, in order to promote the company's expertise. Lula is also suspected of pressuring the state development bank (Bndes), to loan money to Odebrecht to finance these foreign infrastructure projects.

Accusations of wrongdoing are accumulating quickly in Brazil. To add to the growing sense of crisis, on the same day that the investigation into Lula was revealed, Cunha was accused of soliciting a US\$5m bribe in relation to the kickback scandal involving the state oil company, Petrobras. Júlio Camargo, a lobbyist, testified to the district court in the southern city of Curitiba, the principal location of 'Operation Car Wash', the official investigation into corruption at Petrobras, that Cunha had demanded the money in return for the "good services" offered to the construction and engineering firms implicated in the scandal.

The accusation against Cunha came as a surprise to few. Earlier this year the attorney general, Rodrigo Janot, had named Cunha in his list of around 50 politicians suspected of involvement in the scheme. Constitutionally, serving politicians can only be judged by the federal supreme court (STF) so Cunha's lawyers immediately moved to have the case in Curitiba shut down. As a result supreme court judge Ricardo Lewandowski, has given the investigative judge in Curitiba, Sérgio Moro, 10 days to clarify the charges relating to Cunha. Moro responded that he could not be expected to "silence witnesses during the course of the trial".

The accusations against Cunha brought to a head his conflict with the executive. Though a member of the Partido do Movimento Democrático Brasileiro

## Impeachment

Earlier, this month the consultancy firm Eurasia Group put the possibility of impeachment at 30%; separately, the Japanese investment bank Nomura, raised by 10 percentage points its assessment of the likelihood of impeachment proceedings, to 20-25%. Recent opinion polls show that the likely candidates from the main opposition Partido da Social Democracia Brasileira (PSDB) would beat the Partido dos Trabalhadores (PT) candidates in the event of a new presidential election. This may embolden the opposition to push for such an outcome. But with the business community firmly against further instability, and the miasma of corruption allegations creating so much uncertainty, impeachment still remains a distant possibility.

(PMDB), which is nominally allied to Rousseff's left-wing Partido dos Trabalhadores (PT), Cunha ran for the presidency of the lower chamber against the PT's wishes and has inflicted a series of significant defeats on the government in the legislature. Finally, on 17 July, Cunha announced his formal break with the government. The speaker claims the government is behind the accusations against him, and that the latest charges are a result of Janot pressuring witnesses in an attempt to secure the support of Rousseff ahead of his re-election in September. This argument conveniently ignores just how painful the investigations by Janot (and Moro) have been for Rousseff and the PT.

In announcing his decision to oppose the government, Cunha said it was a personal decision but that he would propose his party do the same at its annual conference in September. It seems unlikely that many in the PMDB, a party riven by factionalism and regionalism, united only by thirst for power, would follow his lead, as it would mean giving up ministerial posts as well as lower-tier positions in government. It is worth noting that Brazil's Vice President, Michel Temer, as well as the president of the federal senate, Renan Calheiros, are from the PMDB.

As such, it is possible that Cunha has now passed the peak of his political career. Should the accusations against him become formal charges, he would likely be suspended from his role as speaker. He is unlikely to go down without a fight, however, and he has indicated that he is currently reviewing the impeachment requests against Rousseff lodged with the lower chamber of congress and will come to a decision within the next 30 days.

## Opinion polls

An opinion poll published on 21 July by the Confederação Nacional do Transporte (CNT/MDA), based on the answers of 2,002 Brazilians in 25 states, found that the percentage of respondents who rated the Rousseff administration as good had fallen from 10.2% in March to 7.7%. Over 70% of those polled believe her administration is "bad or terrible". Perhaps even more worryingly for the government is the percentage of those who believed Rousseff should be impeached: 62.8%.

Whereas previous polls revealed a certain ignorance on the part of the Brazilian electorate, the CNT/MDA poll indicates an awareness of the possible grounds for impeachment. Just under 27% cite the government's deceptive accounting as cause for the proceedings; 25% think the corruption at Petrobras justifies such a move, while just over 14% argue illegal campaign donations should invalidate Rousseff's presidency.

Since the start of her first term of office in 2011, 35 impeachment requests have been filed against Rousseff in the federal lower chamber and the senate, 15 of them since the start of her second term. Sixteen of those requests are active. It is worth pointing out, however, that such requests are not uncommon. Fernando Henrique Cardoso (1995-2003) accumulated 23 in his eight years in power; Lula managed a total of 39. Neither of those presidents was impeached.

At present, there is no 'smoking gun'. Though Rousseff was chair of the board of Petrobras from 2003 to 2010, there has been no evidence proving her knowledge of the corruption scandal. Though the supreme electoral court (TSE) is looking into allegations of illegal campaign financing last year, it has already indicated it is unlikely to strip Rousseff of her mandate. Similarly, though it now appears likely that the Tribunal de Contas da União (TCU) will reject the government's accounts, for the first time since 1937, when it rules on the matter in August, that in itself is not necessarily grounds for impeachment. More importantly, however, those congressional deputies in favour of impeaching Rousseff are still around 100 votes short of the two-thirds majority they need to start the process.

## Rise of the blue dollar

Once again the 'blue dollar', the black market rate for the US currency in Argentina, is on the rise. Following the results in the Buenos Aires mayoral election, the 'blue dollar' breached the Arg\$15/US\$1 threshold, moving to Arg\$15.09. Even the official rate moved up to Arg\$9.17 by close of trading on 21 July. Market analysts claim the rise represents the increased likelihood of a Frente para la Victoria (FPV, *Kirchneristas*) victory in the October presidential election, or, in the event of a victory by Mauricio Macri, the high probability that he will need to maintain some elements of *Kirchnerista* economic policy. The government blamed the rise on the extra demand for dollars by the advent of the

## BRAZIL & SOUTHERN CONE

### ARGENTINA | POLITICS

#### In Buenos Aires elections, everyone's a winner

In the second round of the election for the mayoralty of Buenos Aires, Horacio Rodríguez Larreta, of the centre-right Propuesta Republicana (PRO), beat Martín Lousteau, of the centre-left Energía Ciudadana Organizada (ECO) by 51.6% to 48.4%. Though the result was no surprise, the margin was, with many analysts predicting a ten-point lead for Rodríguez ahead of the vote. Such a narrow victory proved a cause for celebration for all sides including the federally ruling Frente para la Victoria (FPV) faction of the Partido Justicialista (PJ, Peronists), the defeated ECO, and even third-placed presidential candidate, Sergio Massa, who argued it showed there were more than two horses in the race for the Casa Rosada. Mauricio Macri, the PRO presidential candidate and the ostensible winner, had fewer reasons to cheer.

In the first round of the mayoral election, on 5 July, the FPV candidate came third with around 21% of the vote. It appears almost all of those voters, as well as the 7% who backed smaller left-wing parties, switched their allegiance to Lousteau in the second round. An initial breakdown of the results suggests the PRO failed in particular among younger voters.

As Rodríguez is very much Macri's man, serving as his chief of staff in the Buenos Aires city hall administration, the result demonstrates Macri's failure to reach beyond his base to attract new supporters. Given that Buenos Aires is the electoral stronghold of Macri and the PRO, his failure to secure a wider base in the city bodes ill for his attempt to do the same at a national level.

While Macri is the undisputed candidate of the PRO, he is also seeking the backing of the Cambiemos coalition, comprised of the left-of-centre opposition Unión Cívica Radical (UCR) and Coalición Cívica (CC), in the 9 August open, mandatory and simultaneous primary elections. Both parties are fielding their own presidential candidates; the UCR Ernesto Sanz and the CC Elisa Carrió. Lousteau has now said he will support Sanz in the primaries. Though Macri is expected to beat both, there are now murmurings from both parties that will want more of a say in the presidential candidate's policy statements.

After Rodríguez's narrow victory, Macri gave a speech indicating a change of tack. Rather than continuing with the "purity" strategy of relentless opposition advocated by some of his close advisers, Macri declared his intention to continue with a number of key *Kirchnerista* policies, including the renationalisation of both the national carrier Aerolíneas Argentinas and the oil company, YPF, as well as the universal child benefit programme. President Cristina Fernández immediately mocked his apparent change of heart at a rally in support of the FPV presidential candidate, Daniel Scioli. "We are pleased to see that even more Argentines are realising that we did things well," she said.

Macri denied he had changed course. In a radio interview on 22 July he said, "the truth is that in the PRO we have never felt that we are against anything; we are not anti-*Kirchnerista* or anti-anything, but we are for the future. We think [this government] is mistaken. Through inability or neglect, they have not been able to build Argentina as it should be." Macri went on to state that the failures of the current government were evident, and that he preferred to focus on positive policy solutions.

## Minnows win reward for persistence

### Uruguay-Venezuela deal

Venezuela agreed to import over US\$300m of food from Uruguay, and cancelled its outstanding debts with Uruguay's dairy industry and poultry sector. This was a major boon for Uruguay's troubled dairy industry, which has been crippled by the sharp decline in exports to Venezuela. Venezuela also scrubbed out a US\$400m debt that Uruguay's state-owned energy company Administración Nacional de Combustibles, Alcohol y Portland (Ancap) had contracted for crude oil purchases from its Venezuelan counterpart, Petróleos de Venezuela (Pdvs).

The Southern Common Market (Mercosur) decided during its biannual summit in Brazil's capital, Brasília, on 16 and 17 July to devote the next six months to studying formulas to put an end to persistent trade barriers within the bloc. This was a triumph for Uruguayan and Paraguayan diplomacy and resolve. Both countries have long argued that internal barriers hampering the free movement of goods and services among member countries contravene Mercosur's founding treaty. Since taking office last March, Uruguay's President Tabaré Vázquez has been especially forthright on the issue.

Paraguay's foreign minister, Eladio Loizaga, whose country assumed Mercosur's pro-tempore presidency from Brazil during the meeting, said the agreement to lift existing trade barriers would help to dynamise internal trade at a time when the global economy is sluggish. Loizaga said that removing internal trade barriers would also prepare Mercosur for "the challenge of trade talks with the European Union [EU]", which are set to recommence soon. Paraguay's President Horacio Cartes positioned advancing EU trade talks as his main priority over the next six months. The objective is for technical teams to pull together a final Mercosur proposal for tariff reductions to present to the EU before the end of 2015.

The main obstacle to fluid intra-regional Mercosur trade has been Argentina due to the trade protectionism espoused by the *Kirchnerista* government of the last 12 years. There will no longer be a Kirchner in charge from December this year, however, and a new government, even if nominally *Kirchnerista*, should be more flexible. Argentina will also drop its import restrictions from 31 December in compliance with a ruling by the World Trade Organization (WTO) and eliminate the contentious sworn affidavit of intention to import (DJAI) forms, which require Argentine importers to gain permission from the local customs authorities for bringing in imported goods.

President Vázquez celebrated another breakthrough during the summit after agreeing with his Venezuelan counterpart, Nicolás Maduro, to strive to triple bilateral trade to US\$1bn by 2016. Exports from Uruguay to Venezuela fell dramatically in the first six months of 2015, by 78% year-on-year to just US\$52m. This was due principally to Venezuela's economic travails, although radical factions within Uruguay's ruling left-wing Frente Amplio (FA) coalition blamed the Vázquez administration for assuming a critical stance over human rights issues, which enraged Maduro. The rapprochement began on 6 July when the two governments struck a series of trade and cooperation accords, which were officially signed on the sidelines of the Mercosur summit (*see sidebar*).

\* Mercosur also agreed to accept Bolivia's application to become a full member of the bloc. How this will work in practice, without diverting Mercosur even further from its founding premise of deep economic union and towards a political grouping, is unclear, not least because Bolivia is intent on remaining a member of the Andean Community (CAN).

## TRACKING TRENDS

**BRAZIL | Inflation up, unemployment up, growth forecast down.** Inflation for June was 0.79%, according to Brazil's official statistics agency (Ibge). Accumulated inflation for the first half of 2015 stood at 6.17%, versus 3.75% in the same period of 2014. As of June 2015, the 12-month accumulated inflation stood at 8.89%. Unemployment is also up, reaching 8.1% in the quarter ending in May, a significant increase from the 7% reported in the same period in 2014. On 9 July, the International Monetary Fund (IMF) cut its forecast for Brazil's GDP growth for 2015 from -1.0% to -1.5%.

**Correa ups ante in response to general strike**

Ecuador's President Rafael Correa has instructed his chief lieutenant, the foreign minister Ricardo Patiño, to marshal support for his government as opposition groups prepare to stage a general strike on 13 August. Patiño has taken a temporary leave of absence, ostensibly to support the 'national dialogue' process called by Correa in June after protests erupted over his government's proposed inheritance tax reforms. In practice, and not entirely in keeping with the spirit of dialogue, Patiño appears to have been assigned the task of shaking up the ruling party, Alianza País (AP), to prepare a rapid reaction force to flood the main square outside the Carondelet presidential palace in Quito, for instance, with supporters in response to opposition protests.

Patiño will spend two months preparing for the national dialogue process. But while announcing Patiño's new role on 16 July Correa devoted more time to explaining that his objective would be to galvanise the grassroots of the AP and improving party organisation, with a view to "strengthening the centres of the 'Citizens' Revolution'" and "filling the Plaza Grande [outside Carondelet] with 10,000 people within two hours", when anti-government protests take shape. Just as Napoleon's greatest strength was his ability to mobilise his army swiftly, Correa said that mobilising supporters more rapidly was "the best way to defend democracy".

Patiño's position will be filled in his absence by Ecuador's permanent representative to the United Nations (UN), Xavier Lasso. This is an eye-catching appointment as he is the brother of Guillermo Lasso, the leader of the right-of-centre opposition Creando Oportunidades (Creo) and one of the principal critics of the Correa administration. However, Xavier Lasso, much like Fabricio Correa, does not share his brother's political leanings. He was a presenter on State television, a columnist for the pro-government daily *El Telégrafo*, and part of the summit on responsible journalism organised by the government before taking up his post at the UN. The national director of Creo, César Monge, said that both brothers had chosen different directions and that was entirely their prerogative, but he criticised the decision to assign Patiño "to rally shock troops against the peaceful and democratic protests of the Ecuadorean people".

Correa, meanwhile, insisted that while he was committed to a national dialogue process "this openness should not be confused with weakness". Opposition groups are demanding that his government's proposed inheritance tax reform should be archived and not just withdrawn from the legislative assembly pending a national dialogue, which Correa did to preserve the peace ahead of the visit of Pope Francis on 5-8 July.

The opposition distrusts Correa's intentions and is determined to keep the pressure on him: the latest Cedatos-Gallup opinion poll shows Correa as more vulnerable than at any other point since he took office in 2007, with an approval rating of 46%, his lowest in eight years. The umbrella trade union Frente Unitario de los Trabajadores (FUT) has called for a general strike on 13 August and Ecuador's largest indigenous organisation, Conaie, will begin two protest marches from the south and east of the country on 2 August to converge on Quito in time for the FUT strike. Meanwhile, Mauricio Rodas and Jaime Nebot, respectively the opposition mayors of the country's two largest cities, Quito and Guayaquil, are promising to stage mass demonstrations if Correa turns a deaf ear to public demands.

**National dialogue topics**

The president of Ecuador's national assembly, Gabriela Rivadeneira, explained that the national dialogue process and debate over social justice was ready to 'go on the road'; dialogue President Rafael Correa says must be based on a "minimum consensus, rejecting all forms of lying and corruption, one of which is tax evasion". Rivadeneira said that there were three national meetings planned on topics such as water, land and agro-biodiversity, and the constitutional reform package.

## Esmeraldas refinery

The Correa administration is hoping to complete the modernisation of the Esmeraldas refinery by September. Esmeraldas refines 110,000 barrels of oil per day, but it has only been operating at 35% capacity since it partially resumed operations in November last year.

## A new front for economic war

Correa has slammed the general strike as “absolutely illegal and unfounded”, and part of a strategy to destabilise his government. He has also taken a leaf out of the book of his Venezuelan peer Nicolás Maduro, who has accused the political opposition of being part of an ‘economic war’ waged on his government. Correa is now blaming political opposition demonstrations for having “stopped many investments” and “damaged tourism...and economic activity”. He said that as a result of this “we will regrettably have very low economic growth in the second quarter or probably even negative growth”. He said that growth was 3% year-on-year in the first quarter “despite oil prices being very low”, after an impressive 21 consecutive quarters of growth.

It is easy to see the attraction of using the opposition as a scapegoat for Ecuador’s economic difficulties, but there are problems with this argument. Firstly, opposition protests only began in the second week of June, the final month of the second quarter. Secondly, Correa has belittled the protests, which makes it difficult to sustain the simultaneous claim that they have had such a sharp impact on economic growth. Finally, the managing director of the central bank, Mateo Villalba, slashed the growth forecast for 2015 from 4.1% to 1.9% on 6 June – before the protests began.

Villalba based the revised growth forecast on oil prices of US\$45 per barrel (/b) as opposed to US\$79.9/b in the 2015 budget. In addition to the impact of the falling price fetched by Ecuadorean crude, Villalba cited the appreciation of the US dollar, and low production at the Esmeraldas refinery as other factors affecting the domestic economy’s performance (*see sidebar*).

Villalba was removed from his post by Correa on 15 July. Like Patiño he was charged with supporting the government’s dialogue process; unlike Patiño he will not return to his post in due course. Villalba will work within the national planning and development ministry (Senplades). His remit will be holding dialogue with banks, cooperatives, mutual societies and other private actors.

## PERU | POLITICS

### Humala heralds drug progress

**There has been precious little for his government to cheer of late and in a week when First Lady Nadine Heredia had to appear before congress to face questions about corruption it was no surprise that Peru’s President Ollanta Humala was keen to trumpet his government’s achievements in the drug war.**

Corruption scandals has been gathering around Heredia for months over her alleged links to the imprisoned Peruvian businessman Martín Belaunde Lossio, recently extradited to Peru by Bolivia. Heredia was summoned to appear before a congressional commission in May to face questions about this and then again on 14 July to answer more questions about alleged money laundering (*see sidebar on page seven*).

President Humala has backed Heredia to the hilt and accused the commission of “abusing its authority”. But he was clearly relieved that an annual drug report released by the United Nations Office on Drugs and Crime (UNODC) presented him with the opportunity to discuss other issues that reflect more positively on his government. Humala celebrated the fact that Peru is “no longer the world’s main coca-producing country”. While the area under coca cultivation in Colombia soared by 44% in 2014 to 69,132 hectares (ha), according to a report released earlier in the month by UNODC [WR-15-27], it fell by 13.9% year-on-year to 42,900ha in Peru.

During a visit to Abancay, the capital of the south-central Andean region of Apurímac, Humala said the UNODC report amounted to “global recognition of the government’s efforts, which in the space of four years [since he took office in 2011] has resulted in a reduction of the hectares of coca cultivations

## Heredia scandal

First Lady Nadine Heredia's second appearance before congress followed the media publication of financial records indicating that she indirectly received US\$86,000 from a Venezuelan company, Inversiones Kaysamak, in 2005 to finance her husband's first (unsuccessful) campaign for president in 2006, and ran up some US\$38,000 on the credit card of a good friend, Rocio Calderón Vinatea, a government official, over an 18-month period on personal expenses like clothes and jewellery.

given over to narco-trafficking by more than 20,000 hectares [actually 19,600 ha according to the UNODC], allowing for the reduction of drug production". Humala said that the government had set a target for illegal coca crop eradication in 2015 of 35,000ha (up from 32,000ha in 2014) and would assign funds to substitute 1,300ha of coca with alternative crops such as pineapple, coffee and cacao. Speaking at the report's presentation, UNODC's representative in Peru, Flavio Mirella, praised the government's "pre- and post-eradication strategies" and its "enhanced efforts and investments for promoting alternative livelihoods in coca-growing areas".

Mirella also said there was still an important presence of coca cultivation in 13 of Peru's 25 regions and that the tendency, as in Colombia, is for greater concentration. The UNODC report puts the area under coca cultivation in the Apurímac, Ene and Mantaro rivers valley (Vraem), where remnants of the Sendero Luminoso (SL) guerrillas remain active, at 18,845ha, meaning that 44% of total coca crops are concentrated there (*see table below*). While illicit coca crops have been reduced significantly elsewhere over the last four years, in the Vraem they have remained pretty constant – and these have the greatest yield (67% of total production, according to UNODC).

The biggest fall in coca cultivation was registered in the northern Alto Huallaga area, where the area under cultivation fell by a massive 63.9% to 1,555ha. Alto Huallaga has traditionally vied with La Convención and Lares as the second largest area of coca cultivation in Peru, but has fallen from as much as 9,509ha in 2012. The principal reason for this decline is that in February of that year 'Camarada Artemio' (Florencio Eleuterio Flores Hala), who led the SL faction in the Alto Huallaga, was captured. The subsequent improvement in security in the area enabled eradication to proceed at an increased rate.

Alberto Otárola, the head of Peru's national drug control agency (Devida), said that manual eradication in the Vraem had not begun because "the requisite security conditions are not present for workers [carrying out the job] and the police". It is worth noting that Otárola took over as head of Devida in May 2014, replacing Carmen Masías Claux who had advocated manual eradication in the Vraem. The government signed an accord with local coca growers at the time, making a priority the replacement of 5,000ha of coca in the Vraem with alternative crops like coffee, cacao, and stevia, a sweetener and sugar substitute. Counter-insurgency advisers within the government had warned that forceful eradication would alienate the local population, solidifying rather than weakening ties to SL.

The two areas where coca cultivation increased were Kcosñipata (up by 19.1% to 1,322 ha), and Marañón (up by 6.5% to 1,214 ha). The UNODC report attributed the big increase in Kcosñipata, in the southern region of Cusco, to the higher demand for coca paste in Bolivia, which is destined for the Brazilian market.

**Area under coca cultivation in Peru**

Zones	2010	2011	2012	2013	2014	% variation	% of total
Vraem	19,723	19,925	19,965	19,167	18,845	-1.7	43.9
La Convención- Lares	13,330	13,090	12,558	10,843	10,342	-4.6	24.1
Inambari- Tambopata	3,591	3,610	3,664	3,460	3,455	-0.1	8.1
Bajo Amazonas	1,040	1,710	2,959	3,070	2,137	-30.4	5
Alto Huallaga	13,025	12,421	9,509	4,302	1,555	-63.9	3.6
Putumayo	936	1,540	1,700	1,564	1,390	-11.1	3.2
Kcosñipata	383	670	735	1,110	1,322	19.1	3.1
Marañón	1,193	1,200	1,235	1,140	1,214	6.5	2.8
Others	8,018	8,287	8,119	5,104	2,675	-47.6	6.2
<b>Total</b>	<b>61,200</b>	<b>62,500</b>	<b>60,400</b>	<b>49,800</b>	<b>42,900</b>	<b>-13.9</b>	<b>100</b>

*Source: Adapted from UNODC figures.*

## Tensions simmer with Guyana

Raphael Trotman, Guyana's minister of governance, has told *Bloomberg* that the latest offshore oil find in Guyana's Atlantic waters by the US oil firm ExxonMobil, which on the face of it has prompted Venezuela to renew its longstanding territorial claims over its tiny neighbour, may hold oil and natural gas worth over 12 times Guyana's GDP of US\$3.2bn. "A find of this magnitude for a country like ours, which sits on the lower end of the scale of countries in this hemisphere, this could be transformational", Trotman said. "From my sense, from speaking to experts outside of Exxon, it has to be something in excess of 700 million barrels", he said. Trotman added that the Liza-1 well may begin pumping the valuable light sweet crude (of the type not found in Venezuela) within five years. According to *Bloomberg*, the prospect could be worth about US\$40bn at current international crude prices.

Guyana, it seems, is sitting on a small fortune and President David Granger has embarked upon a diplomatic mission to build international support for the country in its dispute with Venezuela. Having already received strong renewed backing from the Caribbean Community (Caricom), which though a Venezuelan oil client has been very clear about its longstanding support for Guyana's territorial integrity, Granger was at the 16-17 July heads of state summit of the Southern Common Market (Mercosur) in Brasília, where he denounced Venezuela's "aggression". According to Brazilian conservative press reports, Venezuela's President Nicolás Maduro was so incensed that he refused to attend a subsequent luncheon hosted by his Brazilian peer, Dilma Rousseff, and went straight back to Caracas instead. Taking over the Mercosur pro-tempore presidency, Paraguay's President Horacio Cartes said that he would try to mediate – the Union of South American Nations (Unasur) has already called for dialogue in a carefully worded statement that seemed not to want to criticise Caracas.

Granger's next visit was to the US on 22 July, where accompanied by his defence minister Mark Phillips he attended a conference on defence and security in the Western Hemisphere and reportedly met US State Department representatives. The United Nations secretary general, Ban Ki Moon, has also offered to mediate in the Guyana-Venezuela dispute.

## COLOMBIA | POLITICS & SECURITY

### Farc ceasefire begins

On 20 July the Fuerzas Armadas Revolucionarias de Colombia (Farc), Colombia's main guerrilla group, began a new unilateral ceasefire. This is the sixth unilateral ceasefire called by the Farc since the launch of its current peace talks with the Colombian government in Cuba in late 2012. It will either hold for four months after which, if sufficient progress in Cuba has been made, Colombia's President Juan Manuel Santos will declare a bilateral ceasefire, or it will fail, along with the peace process. If the tough recent rhetoric from Santos is not enough to convince the Farc of the peril the process faces, the plummeting public support for the talks is clear for all to see.

In announcing the unilateral ceasefire, the Farc said that it would only endure for one month but it is expected to extend this, particularly as Santos responded by announcing a reduction in the intensity of military operations to 'de-escalate' the internal armed conflict. There is always the danger that another serious incident in the internal armed conflict could impact the talks again, as in recent months, not least because the Farc made clear that all of its guerrilla units would be able to exercise "legitimate self-defence" if they come under attack from the military. But both sides are now fully conscious of just how precarious the prospects for peace have become. Public confidence in the process is at an all-time low, falling away sharply since Farc guerrillas killed 11 soldiers (it claimed in 'self-defence') in April, during its last unilateral ceasefire [WR-15-15].

### Essequibo ID cards

Guyana's minister of State, Joe Harmon, has said that Guyana will "stoutly resist" purported plans by Venezuela to issue (Venezuelan) identification cards to some 200,000 residents of Essequibo, the region at the heart of Venezuela's territorial dispute with Guyana. Harmon made his comments following local press reports that the head of Venezuela's 'office for the rescue of Essequibo', Retired Army Colonel Pompeyo Torrealba Rivero, had announced such a plan, along with a new campaign to 'educate' Essequibo residents that they are part of Venezuela.



### Silk & Co. lands in Colombia

On 15 July Ireland-registered investment bank Silk & Co. announced that it had formally begun operations in Colombia, marking its entry into Latin America. In a statement Silk & Co. CEO Roy Ellis said that the firm's business in Latin America will concentrate on financial advice, offering financing for infrastructure development projects and managing foreign investment. Explaining the firm's selection of Colombia as its centre of operations in Latin America, Ellis said that this was due to the perception of security and stable economic conditions that international investors currently have of the Andean country.

**PERU | 'Lot 192' tender process.** The tender process for the exploitation rights for the 'Lot 192' oilfield, located in Peru's northern Amazonian region of Loreto, takes place on 23 July. 'Lot 192' is Peru's largest active oilfield producing 12,000 barrels of oil per day (bpd), equivalent to a fifth of Peru's national oil production. For the past 15 years it has been operated by Argentine firm Pluspetrol, but its 15-year exploitation contract is coming to an end and the government led by President Ollanta Humala launched a public tender process earlier in the year, looking to award a new 30-year exploitation contract.

In recent months local indigenous communities that live close to 'Lot 192' have staged protests complaining that the extraction of oil at the site has produced contaminated local water sources and produced severe environmental damage to the surrounding areas, and have called for oil exploitation at the site to be terminated. Thus although three firms (Pluspetrol, Canada's Pacific Rubiales and the Anglo-French Perenco) have expressed interest in submitting bids to secure a new exploitation contract, last month the Humala government announced that a new contract will only be awarded if a deal can be reached with the close to 40 indigenous communities that claim to have been affected by oil extraction at 'Lot 192'. The government has been trying to reach a deal with the indigenous communities since then. But this has proved difficult.

According to the culture ministry (Minem), the indigenous communities are demanding the establishment of a US\$1bn trust fund that is to be used to finance environmental and social development projects in the area in order to approve the continued exploitation of the site. However, the government has said that it does not believe that it will be able to raise these funds from the firms interested in exploiting 'Lot 192'. The impasse is problematic for the Humala government which is keen on increasing national oil production, which has fallen from a peak of 120,000 bpd in the 1970s to 60,000 bpd today, as part of its efforts to stimulate the domestic economy.

According to the latest economic growth figures released by Peru's national statistics institute (Inei) on 15 July, GDP grew by a moderate 2.14% in the first five months of the year. This was lower than market predictions, which hovered around 2.5%, and suggests that economic recovery is still tentative.

Meanwhile, in a bid to advance its case to secure the new oil exploitation contract, on 13 July Pluspetrol said that its oil extraction activities in Loreto had left US\$118.5m in royalties to the Peruvian State in the first six months of the year. The company added that since it started operations in Loreto, it has generated some US\$1bn in royalties to the State.

**BOLIVIA | Fitch rating upgrade.** The international ratings agency Fitch announced on 15 July that it was upgrading its rating of Bolivia's sovereign debt one notch from 'BB-' to 'BB' with a 'stable' outlook. A Fitch statement said that the decision was a result of an improvement in the sustainability of Bolivia's "hydrocarbons production, the largest source of exports, fiscal revenue and domestic investment". It said that Bolivia's "robust external buffers and ample fiscal policy space render its economy better-placed to absorb adverse shocks and adopt counter-cyclical policies than other commodity exporters in the 'BB' category".

Fitch also noted that "five-year average economic growth rose to 5.4% in 2014, exceeding the 'BB' median of 4.1%... [and] Fitch forecasts that economic activity would keep pace at an average 4.4% in 2015-2017, driven by robust public investment in diversification and industrialization projects and eased domestic liquidity conditions".

Following the upgrade, Bolivia's finance minister, Luis Arce, said that he would issue up to US\$1bn in international bonds this year to boost public spending further. Bolivia only returned to international debt markets in October 2012 when it placed bonds valued at US\$500m on international markets for the first time in over a century. This was followed by another similar issue for US\$500m in bonds made by Bolivia in August 2013.

**(Partially) good news****Oaxaca education**

The governor of the southern state of Oaxaca, Gabino Cué, confirmed this week that he would close down the Instituto Estatal de Educación Pública de Oaxaca (IEEPO), the entity that controls state-level education. Cué said the IEEPO would be replaced by a restructured state education institute. Both Cué and the administration of President Peña Nieto believe that the IEEPO has fallen under the control of the Coordinadora Nacional de Trabajadores de la Educación (CNTE), whose most militant wing 'Section 22' is based in Oaxaca and is resolutely opposed to the government's education reform.

It looked like good news after a terrible week. Still reeling from the humiliation of the spectacular tunnelling escape of the Sinaloa drug cartel leader Joaquín 'El Chapo' Guzmán from the Altiplano prison, President Enrique Peña Nieto could perhaps take some encouragement from a preliminary report published by the national statistics institute (Inegi), on 21 July showing that the number of homicides fell by nearly 15% last year. While the government might have trouble keeping top prisoners in jail, at least it can say that the explosion of violence across Mexico that erupted under the previous administration is being gradually brought under control. But analysts who have gone over the fine details of the data say there are still reasons for concern.

Inegi's headline numbers are encouraging. The total number of homicides in Mexico fell from 23,063 in 2013 to 19,669 in 2014, a drop of 14.7%. This is the lowest number since 2008, and significantly below the worst year, 2011, when the total was 27,213. The total has been falling consistently since President Peña Nieto took office in late 2012. The homicide *rate* – measured as the number of deaths per 100,000 inhabitants – also fell. At a national level the rate had peaked at 24 per 100,000, also in 2011, and subsequently fell to 22, 19, and then 16 per 100,000 in 2012, 2013 and 2014.

To put the homicide rate in perspective, the United Nations (UN) considers a rate of 10 per 100,000 or higher to be an "epidemic". A number of countries in Latin America, considered the most murderous region of the world, have significantly higher rates. Homicide rates in Central America are particularly high. In Mexico the rate varies sharply across different states, with the highest rate registered in Guerrero (48 per 100,000) and the lowest in Yucatán (2 per 100,000).

There has been an improvement in Guerrero, considered one of the country's most violent states, since the homicide rate there fell from 65 to 48 per 100,000. There were also improvements in Guzmán's home state of Sinaloa (down to 38 from 42) and Chihuahua (down to 46 from 59 per 100,000). Two of the government's other "problem states", Michoacán and Tamaulipas, saw no change (with homicide rates stuck at 20 and 25 per 100,000 respectively).

**Less encouraging figures**

The problem for the Peña Nieto administration is that these numbers, encouraging as they are, do not guarantee that the positive trend will continue for the rest of its term in office to 2018. Alejandro Hope, a security expert, points to a separate series of monthly crime figures produced by the Secretariado Ejecutivo del Sistema Nacional de Seguridad Pública (SESNSP). In June it says there were 1,532 homicides, up 8% on comparable year-ago levels. Analysing first half SESNSP data, Hope suggests the full Inegi number for 2015 could rise 5% to 20,600. In other words, the homicide trend may be turning bad again.

An additional factor complicates the issue. Until recently SESNSP only measured homicide investigations, not the actual number of homicides. A number of investigations involve more than one homicide, so its data under-reported the real number of deaths.

## Ciudad Juárez

A number of investigative journalists have claimed that Ciudad Juárez, the once ultra-violent city on the US border, has been pacified simply because one of the gangs won the turf war. Sandra Rodríguez, a former crime reporter for local newspaper *El Diario* says “Since 2010, the Sinaloa cartel won the war for Juárez”.

Hope claims that 2,345 homicides were completely missed last year, meaning “no law enforcement agency lifted a finger. They didn’t even open a file”. In Veracruz state 35% of homicide cases were not investigated at all. In Estado de México (Edomex) over a fifth of cases were ignored. Hope concludes, “That is as shameful for Mexico as El Chapo’s escape”.

### Homicides and cartel activity

There is another major reason for caution. While high levels of drug cartel activity are broadly correlated with a high homicide rate, the relation between the two is not linear. Violence can be low when there is no activity by drug cartels; but it can also be relatively low when a single cartel is absolutely dominant (and where it has reached an explicit or implicit *modus vivendi* with local law enforcement).

Violence tends to spike up when rival cartels are battling for territory (see *sidebar*). Now that ‘El Chapo’ is at large again, prospects for Mexico’s homicide rate may depend less on what the government does, and more on the balance of power struck between the Sinaloa cartel (somewhat reduced according to some intelligence reports) and other potential rivals such as the Cartel Jalisco Nueva Generación (CJNG), which has recently been expanding.

## MEXICO | POLITICS

### Fraud allegations tarnish Chiapas elections

Municipal and legislative elections were held in Chiapas, one of Mexico’s poorest southern states, on 19 July. Governor Manuel Velasco Coelho, a member of the Partido Verde Ecologista de México (PVEM) and, at federal level, a close ally of the ruling Partido Revolucionario Institucional (PRI), appeared set to strengthen his control of the state, despite bitter claims of fraud from the opposition parties.

In national mid term congressional elections on 7 June, the federally ruling PRI pulled off something of a feat. Despite falling popularity levels it actually increased the government’s majority in the federal chamber of deputies by relying on its alliance with the PVEM and another small party, the Partido Nueva Alianza (Panal). Chiapas governor Velasco Coelho seems to have been applying a similar coalition policy, coupled with what his opponents say are dirty tricks, to strengthen his hold on Chiapas and position the PVEM to expand further across southern Mexico.

To compete to elect the 122 municipalities and 41 seats in the state legislature that were up for grabs across Chiapas the PVEM put together a series of different coalitions. Some of these were with the PRI, while others were with two recently created parties, Partido Chiapas Unido and Partido Mover a Chiapas, which many believe are simply purpose-built political vehicles created by the governor. According to preliminary results, with some 88% of the vote counted, the various PVEM-controlled alliances were ahead in 61 municipalities.

But the opposition parties noted that the vote counting system, known as the Programa de Resultados Preliminares (PREP), stopped suddenly: they claimed an old-style electoral fraud was in the making. There was particular bitterness over the race for mayor of the state capital, Tuxtla Gutiérrez, where both Francisco ‘Paco’ Rojas Toledo, of the centre-right Partido Acción Nacional (PAN), and the PVEM’s Luis Fernando Castellanos Cal y Mayor were claiming victory.

As this issue went to press, there were numerous claims of irregularities in the polls. Even before the polls four parties (including the PVEM and Panal) had

## Bimbo

Bimbo is already the largest baker in the world with 166 production plants and 1,600 points of sale spread across 22 countries in Latin America, Europe and Asia.

been banned from competing in some municipalities because they failed to meet the 50-50 gender balance target set by electoral regulations. On polling day over 190 incidents were reported, including the occupation of electoral institute offices and the theft of ballot boxes. The national electoral institute (INE) said that some of its trainers had been kidnapped but later released.

Carlos Navarrete, the national leader of the left-wing Partido de la Revolución Democrática (PRD), described the elections in Chiapas as “anomalous, tense, and irregular”. Some districts had reported a 100% turnout, which Navarrete said was highly suspicious. Navarrete claimed votes had been bought or secured through threats.

Navarrete likened the contest to the bad old days back in 1988 when “a party of the state” had unfairly defeated the left (a reference to the PRI). “Today the party of the state is not the PRI, it is the PVEM,” he added. Navarrete was supported by the PAN’s national leader, Gustavo Madero, who said both parties would pursue protest action together.

In the days immediately after the poll there were further incidents with clashes between supporters of different candidates unhappy with the partial results published up to that point. In some municipalities up to 20% of voting papers were reportedly burnt, which under existing regulations would require a re-run of the polling.

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## TRACKING TRENDS

**MEXICO | Veracruz-São Paulo ethanol cooperation.** The agriculture ministry of Mexico’s Veracruz state has extended its technological cooperation agreement covering sugar cane-derived ethanol production with the government of Brazil’s São Paulo state.

In a statement the Veracruz agriculture ministry said that the technological transfer agreement is “fundamental for the development of sugar cane production [in Veracruz] and we want to apply the investigations carried out in São Paulo to promote our crop and stimulate our country’s energy matrix”.

Osiel Castro de la Rosa, the director of the Instituto Veracruzano de Bioenergéticos del Gobierno de Veracruz, explained that the goal is to take advantage of Brazilian technology, which for the past three decades has been at the cutting edge of sugar cane-derived ethanol production and its use as car fuel, to promote sugar cane production in Mexico in order to develop a steady supply of clean burning biofuels to create more resources and reduce pollution.

This cooperation has already resulted in the development of five sugar cane varieties specifically designed for Veracruz’s Caribbean climate, which has helped to increase sugar cane production by 50% in recent years. According to Veracruz’s agriculture ministry, the next step is to increase cooperation by creating a bilateral research institute and offering postgraduate courses in universities in the two states.

**MEXICO | New Bimbo acquisition.** Mexico’s multinational baker, Grupo Bimbo, has confirmed that it has reached a €190m (US\$210m) deal with US asset management firm, Oaktree Capital Management, for the purchase of Spanish baker, Grupo Panrico. A Bimbo statement said that the deal would allow it to purchase 100% of Panrico’s shares and all of its assets in Spain and Portugal.

Pointing out that the deal has now been submitted to Spain’s national anti-trust commission (CNMC) for approval, the Bimbo statement added that “with this transaction, Grupo Bimbo reinforces its presence in Spain and Portugal, complementing its portfolio of products, plant capacity and distribution network”. Panrico is the leading baker in the Iberian Peninsula, with nine production plants and 2,000 employees; and the firm’s sales last year reached €280m (US\$310m).

**Joy in Cuba as half a century of isolation ends**

On 20 July, in a day full of historic symbolism, Cuba and the US formally restored diplomatic relations for the first time since 1961. US President Barack Obama, who has sealed part of his legacy with the rapprochement with Cuba, was born that same year. The US Secretary of State, John Kerry, said it was a day “for removing barriers” and for facing “the reality that the Cold War ended long ago”.

Bruno Rodríguez marked a personal and public milestone on his first-ever trip to the US by becoming the first Cuban foreign minister to visit the US State Department since 1958. He harked back to the 1901/1903 Platt Amendment, a text written into the Cuban constitution effectively giving the US control over Cuban affairs (including the right to establish military bases on the island). Rodríguez noted its “nefarious consequences” and said that “the historic events we are living today will only make sense with the removal of the economic, commercial and financial blockade, which causes so much deprivation and damage to our people, the return of occupied territory in Guantánamo, and respect for the sovereignty of Cuba”. Nevertheless, Rodríguez emphasised Cuba’s willingness under President Raúl Castro to now move forward with the US.

In reply, Secretary of State Kerry said that while the Guantánamo issue is not on the table, President Obama “could not have been more clear” about his desire to see the end of the half-century-old US economic embargo on Cuba. Under the 1996 Helms-Burton Act codifying the embargo, it can only be removed (by an act of the US congress) when the Castro brothers no longer hold political office in Cuba. President Castro is officially due to step down in 2018. The US anti-Cuba lobby like to flag up the fact that his son, Alejandro Castro Espín, a high-ranking military colonel, is a senior official in the Cuban interior ministry, and they suspect he is being groomed for higher office, but seasoned Cuba watchers suggest that the architect of Cuba’s economic opening, Economy Minister Marino Murillo, a close confidant of President Castro, or First Vice-President Miguel Díaz-Canel, are the two main contenders for the presidency come 2018.

While there was full pomp around the flag-raising ceremony at the newly restored Cuban embassy building in Washington D.C., followed by a reception for 500 enthusiastic guests (starting with mojitos at the ‘Hemingway Bar’), there were no outward signs of any change at the US interests section in Havana. Kerry, who had been set to fly to Havana for a flag-raising ceremony there but had to cancel as the Obama administration finalised another historic foreign policy deal – this time with Iran – is now scheduled to go instead on 14 August, and expressed delight at the prospect.

Kerry acknowledged that there is a long way to go in the new US-Cuba dialogue, but stressed that Obama believes in “policies that aim to shape a better future” on both sides of the narrow 90-mile stretch of water between the US and Cuba. The White House press secretary, Josh Earnest, told reporters that the Obama administration was “hopeful” that Cuba, in coming years, would “start to show respect for basic human rights”.

Recent Cuban repression of dissidents was seized upon by the anti-Cuba lobby to savage the Obama administration for making too many concessions to the Cuban government without reciprocity. Cuban dissidents largely celebrated Obama’s ‘17-D’ announcement, but there have been complaints since that they

**Cuban dissidents**

Some 20 US lawmakers have made highly publicised visits to Cuba since February this year, but reportedly most have failed to meet dissidents. Berta Soler, leader of the Damas de Blanco dissident group, complained to the *Associated Press* that “the only thing they want is to open up business, the embassy...Whenever someone high-level came from the United States before, they always made time to meet with us before getting on the plane (back home), and that’s not happening”.

### Rubio's pledge

Senator Marco Rubio has pledged to roll back President Obama's Cuba policy changes completely if elected president in 2106. Secretary of State John Kerry said that Rubio's pledge to break off diplomatic relations anew with Cuba, if elected, would be "a terrible, terrible mistake".

feel sidelined (*see sidebar*). There is some suggestion that the Cuban government let it be known that visiting US officials would not have access to senior government officials if they met dissidents. Others, however, like US Senator Patrick Leahy (D-Vermont), who has been close to the Obama administration's policy changes, insist that the US government and US embassy staff will fully engage with dissidents and share their aspirations for political reform.

Cuba released 53 prisoners considered political detainees by the US as part of the '17-D' deal, while according to the unofficial but tolerated Cuban commission for human rights and national reconciliation (CCDHRN), there were 2,822 politically-related detentions in the first six months of 2015, quite a significant drop from 5,904 in the same period of last year. The Cuban authorities, however, have maintained a policy of continuous low-level repression and short-term detentions, with State security officials reportedly quite aggressive and sometimes violent towards dissidents. This policy acts effectively to cower dissidents, without drawing too much international attention.

For now, the new embassies remain without ambassadors. José Ramón Cabañas, the head of the Cuban interests section in Washington, has been promoted to chargé d'affaires, as has his US counterpart in Havana, Jeffrey DeLaurentis. Both men are respected diplomats. Obama has not yet suggested any potential ambassadorial nominee; US Republicans on Capitol Hill, including the 2016 presidential hopeful Senator Marco Rubio, himself a first generation Cuban-American, have strenuously vowed to block any appointment (*see sidebar*).

However, Rubio is pulling against the tide. A new poll released this week by the respected Pew Research Center found that almost three quarters (73%) of US citizens – including 56% of Republicans – supported the restoration of diplomatic relations. Almost the same proportion (72%) felt the embargo should be removed, including 59% of Republicans. A full three quarters (75%) of Hispanic respondents supported the re-engagement and wanted the embargo removed, and this sentiment, whilst strongest among younger Hispanics, remained at upwards of 64% amongst older Hispanics (aged 65+). Other polls have suggested that a majority of Cuban-Americans (including the older generation that left Cuba in the 1950s) feel likewise, all of which suggests that Rubio may have to rethink his position. "The genie is out of the bottle", as one former Cuban diplomat, Carlos Alzugaray Treto, told *The New York Times*.

## EL SALVADOR | POLITICS

### FMLN coup claims incense Arena

El Salvador is no stranger to political polarisation, yet events over the last week broke new ground. President Salvador Sánchez Cerén and the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) jumped on the bandwagon of other leftist governments in the region, notably those led by Venezuela's President Nicolás Maduro and Ecuador's President Rafael Correa, by accusing opposition groups of seeking to destabilise the government to promote a coup d'état. The main right-wing opposition Alianza Republicana Nacionalista (Arena) insisted the accusations were a smokescreen and promised legal action.

"The country's right-wing, and we presume Arena, which will have to clarify, have launched a 'Mano Negra' ['Black Hand'] campaign on social networks. This is a strictly coup-mongering movement...conspiring against State institutions... to discredit the government's work", the communications minister, Eugenio Chicas, said on 18 July. Chicas went on to draw a parallel with 'Mano Blanco' ('White Hand'), a notorious anti-Communist death squad that was active during the civil war (1980-1992).

## Homicides

El Salvador has now displaced Honduras as the most violent country in the world. In the first half of this year, there were 2,865 murders in El Salvador, up 55.7% on the same period in 2014, according to the supreme court's legal medicine institute (IML). Compared to the same period in 2013 homicides are up by as much as 171%.

The president of Arena, Jorge Velado, responded to the FMLN's accusations by saying that it was seeking "to distract attention from the country's problems" rather than "confronting problems like insecurity, low economic growth and unemployment". Velado said Arena had accused Chicas of calumny before the attorney general's office, and sent a letter to the secretary general of the Organization of American States (OAS), Luis Almagro, requesting that he dispatch a "special mission" to investigate the coup allegations.

Chicas responded by saying he had not specifically accused Arena of being behind the 'Black Hand' campaign [he did say he 'presumed' so though]. Chicas said that the 'Black Hand' campaign had used social networks to call for a mobilisation on 18 July to protest against the government. This did not take place as the 'organisers' called it off, but the FMLN mobilised members in San Salvador on the same day to demonstrate in support of the government.

The destabilisation claims come at a time of mounting difficulty for the Sánchez Cerén administration. The overriding concern is the rapid deterioration of the public security situation (*see sidebar*). The national council on citizen security (CNSCC) launched its 'Plan El Salvador Seguro' security plan on 16 July in Ciudad Delgado in the department of San Salvador to try and combat violent crime. It combines repression, prevention and rehabilitation with initiatives to strengthen State institutions, such as purging the police, and specific proposals to provide employment for 250,000 youths at risk of falling into mara street gangs.

The key will be sustaining the political will to implement the plan – which should be extended to 20 municipalities deemed to be 'hot spots' of violence over the course of the next year – and finance it. It is anticipated that 'Plan El Salvador Seguro' will cost as much as US\$1.85bn (84% on prevention) over the course of the next five years, with the private sector bolstering government resources.

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## TRACKING TRENDS

**GUATEMALA | Favourable WTO ruling.** On 20 July Guatemala's agricultural chamber celebrated a favourable ruling issued by the World Trade Organization (WTO) on Guatemala's trade dispute with Peru. Since 2001 Peru has imposed additional import tariffs on a range of agricultural products including rice, sugar, maize and dairy products when the prices of these imports fall below a certain level. The Sistema de Franja de Precios (SFP) price band system was designed to protect Peru's domestic agricultural producers when international agricultural produce prices reached very low levels.

Guatemala denounced this practice as a discriminatory barrier to trade inconsistent with Art. 4.2 of the WTO's Agricultural Agreement and presented a formal complaint before the WTO in 2013 (to which third parties including Argentina, Brazil, the US, Ecuador, Colombia, El Salvador and Honduras adhered). A WTO adjudication panel backed Guatemala's complaint in November 2014. Peru appealed this ruling on the grounds that the SFP was based on the rules framed under the Peru-Guatemala free trade agreement (FTA), signed in 2011.

But the ruling has now been upheld by the WTO. This was hailed by Guatemala's agricultural chamber, which said that it "sets an important precedent... as this ruling guarantees that Peru will uphold rules agreed in a partial [economic] agreement it signed with Guatemala".

Indeed after the WTO issued its latest ruling, the Peruvian government released a statement in which it said that while it did not agree with the ruling, it would observe it and implement all of the recommendations made by the WTO, including a complete revision of the SFP, within the established timeframe for settling these issues (9-18 months). While in 2012 (after the bilateral FTA came into effect) Peru imported US\$8.7m of agricultural products from Guatemala, this figure increased to US\$11.8m last year, with rubber and sugar among Guatemala's leading exports to the Andean country.

### Quotes of the week

“This is the coup manual: heat up the streets; keep the government occupied; weaken us with psychological war, with economic war... local governments should be aware of this and ready to mobilise to defend democracy.”

*Ecuador's President Rafael Correa.*

“We have many restrictions to market access, some in the form of tariffs, others not. The customs union has a hole in it and we can't even dream about a common market.”

*Uruguay's finance minister, Danilo Astori, on the Southern Common Market (Mercosur).*

“It is an island. An island does not normally contain two countries but one country, even if it is a big island like Australia. This is a small island with two countries with very different social, economic and political realities.”

*The secretary general of the Organization of American States (OAS), Luis Almagro, on Hispaniola Island.*

### Mexico poised for major breakthrough against health threat

The six-day state visit of Mexico's President Enrique Peña Nieto to France was overshadowed by the escape of the drug kingpin, Joaquín 'El Chapo' Guzmán, from a maximum security prison, but it was a productive trip which saw the signing of some 60 cooperation agreements ranging from environmental protection to education to health. The most significant of these in the long-run is likely to be a vaccine against dengue. The prevalence of this debilitating virus is on the rise, claiming 76 lives in Mexico in 2014 but affecting tens of thousands. Mexico could now become the first country in the world to introduce the vaccine in 2016.

President Peña Nieto was the guest of honour in Paris on 14 July for Bastille Day, commemorating a rather different jailbreak. During a visit to Mexico in April last year France's President François Hollande re-launched diplomatic relations after a long diplomatic spat over the imprisonment of the French national, Florence Cassez, in Mexico on kidnapping charges. Hollande praised Mexico's cooperation in the development of the dengue vaccine by Sanofi Pasteur, a French pharmaceutical company. Much of the clinical development of the vaccine took place in Mexico; and only Mexico and the Philippines took part in all three stages of the process of clinical trials begun in 2004 and concluded in September last year.

Data from the trials showed that the vaccine reduced the incidence of dengue by 60.8% and of hospitalisation by 80%. The plant that is to produce the vaccine is ready and all that remains is for Mexico's federal commission for the protection against sanitary risks (Cofepris) to provide the required authorisation. This should be a formality as 8,000 Mexican children took part in the clinical trials.

Mexico's health minister, Mercedes Juan, and her French counterpart, Marisol Touraine, signed a declaration of intent on 12 July during a visit to the company's laboratories in Lyon as part of the State visit. The company has recommended that as many people as possible between the ages of nine and 32 be immunised. There were 32,100 cases of dengue in 2014 in Mexico, according to the health ministry, although it is thought that there were many more unreported cases. The symptoms of dengue are a fever and headache but haemorrhagic dengue is often fatal, especially among children. The main strategy to combat dengue up until now has been to target the *Aedes aegypti* mosquitos that are the vectors of transmission, but this has met with limited success.

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