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Confrontation between Colombia and Venezuela escalates as cross-border migration continues

The crisis triggered by the closure of a stretch of Venezuela's border with Colombia by Venezuela's President Nicolás Maduro – invoking the need to act against smuggling and 'paramilitarism' – has worsened. Deportations of Colombians and the flight of many more in fear have continued to increase, and Colombia's President Juan Manuel Santos has failed to get a hearing in the Organization of American States (OAS). While Santos seeks other avenues, Maduro has been raising the stakes.

On 27 August President Maduro stated that he would not reopen the border until such time as Colombia banned the sale of goods smuggled in from Venezuela and took steps to prevent the currency exchange houses in Cúcuta from 'attacking' Venezuela's currency. That same day President Juan Manuel Santos announced that he was recalling the Colombian ambassador to Venezuela 'for consultations'.

Maduro promptly reciprocated and followed up by extending the state of emergency in Táchira to four additional border municipalities: Lobatera, Panamericano, Ayacucho and García de Hevia. Vice-President Jorge Arreaza travelled to Táchira and announced that 3,000 personnel drawn from the four branches of the armed forces would be deployed there, to "rid the area of smuggling and paramilitarism".

Santos's call for an emergency meeting of foreign relations ministers at the OAS collapsed on 31 August, when support for the motion fell one vote short of the requisite 18 votes in the organisation's permanent council. Only five countries openly voted against the motion (Venezuela, Bolivia, Ecuador, Nicaragua and Haiti), but 11 abstained – among them Argentina and Brazil, who had declared their preference for addressing the issue in the Union of South American Nations (Unasur). "Unfortunately," said Santos, "ideology and monetary interests outweighed humanitarian reasons. It is sad to verify this, but it is the case."

Colombia's foreign relations minister, María Ángela Holguín, called for an emergency meeting to be held in that forum on 3 September, but this stumbled on a practicality: Venezuela's foreign relations minister, Delcy Rodríguez, would be away accompanying Maduro on visits to Vietnam and China. A tentative rescheduling to 8 September was proposed by their Ecuadorean peer Xavier Lasso, but this was turned down by Santos as too dilatory: he said he would take the matter to the office of the UN High Commissioner for Human Rights (OHCHR) and the International Organisation for Migration (IOM).

President of Guatemala resigns

As we went to press, Guatemala's presidential spokesperson, Jorge Ortega, announced that President Otto Pérez Molina had resigned over recent corruption allegations. This will be covered in full in the next Weekly Report. In the mean time please consult our website for [up-to-date analysis](#).

The vote in the OAS

In favour: Bahamas, Barbados, Canada, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Paraguay, Peru, St Lucia, Uruguay and the US

Against: Bolivia*, Ecuador*, Haiti, Nicaragua*, Venezuela

Abstained: Antigua & Barbuda, Argentina*, Belize, Brazil*, Dominican Republic, Grenada, Panama, St Kitts-Nevis, St Vincent & Grenadines, Suriname, Trinidad & Tobago

Absent: Dominica

*In favour of addressing the matter in Unasur.

Santos also announced that Colombia's prosecutor-general would be filing a suit before the International Criminal Court against high political and military officials on charges of crimes against humanity – specifically the deportation or forcible displacement of Colombians from Venezuela. Santos compared the actions of the Venezuelan national guard with those of “Nazi ghettos” by marking with a letter D the homes of deportees targeted for demolition. At this point the number of deportees was being put at more than 1,100 and that of Colombians fleeing Venezuela at about 10,000.

In a broadcast from Hanoi on 31 August, Maduro said that Santos was being “led astray by his advisers and is losing senses.” He went on to announce, “I have evidence that I will show of how from Bogotá they are conducting a campaign to kill me [...] regrettably with the acquiescence of the government of Colombia.” Maduro added that Latin America and the Caribbean should help Colombia cope with the “humanitarian exodus” of Colombians from Venezuela, which he set against the “800,000” Colombians who in the past decade had left their country “fleeing from drug trafficking, paramilitarism, war, famine, the lack of housing, the absence of humanity.”

The following day, in a broadcast from China, Maduro said, “I have called President Juan Manuel Santos to arrange a face-to-face meeting so we can seek, with the truth and respectfully, to deal with the roots of this issue [...] I have the constitutional obligation to take structural measures to shape a new border [...] free from paramilitarism.” Santos has not acknowledged receipt of this invitation.

On 2 September, Vice-President Arreaza went to the border state of Zulia, immediately north of Táchira, where he said that “the people” had demanded from the government action against smuggling and violence. He said that the “strategic integral defence” team for the region would analyse what actions could be taken. It is worth noting that the Colombian paramilitary groups had been present in Venezuela since the late 1990s, and they fostered the creation in 2002 of the Autodefensas Unidas de Venezuela (AUV), notorious for their killings in Zulia and Táchira. One of the Colombian paramilitary groups ‘recycled’ as the Bacrim (criminal bands) has a dominant presence in Cúcuta, Norte de Santander, close to the border with Táchira. It is also present in regions of La Guajira bordering on Zulia.

An electoral angle?

Immediately after the closure of the Táchira border, the umbrella opposition alliance Mesa de la Unidad Democrática (MUD) said that it was a manoeuvre by Maduro to justify postponing the legislative elections scheduled for 6 December. On 27 August the polling firm Datanálisis released the results of a survey conducted between 10 and 23 July. They showed that 57.7% of the respondents said they would vote for an opposition candidate, as against 26.2% for a pro-government candidate and 16.1% for an independent one.

A hat trick for Maduro

On 1 September President Nicolás Maduro announced that China had approved a new US\$5bn loan for Venezuela, aimed at gradually improving oil production in coming months. This is the third US\$5bn Chinese facility this year.

Energy sector analysts suggest that China, irked by Venezuelan inefficiency, is slowly asserting more direct control over the country's oil sector, where the state-owned Petróleos de Venezuela (Pdvs) has struggled for the past decade to lift production above a stagnant 3m barrels per day (b/d) – the International Energy Agency puts output at no more than 2.5m b/d. Maduro also revealed that Pdvs is now shipping 700,000 b/d of crude to China, at least half of which is estimated to be in payment for Venezuela's accumulated debt with the Asian country since 2007, put at upwards of US\$40bn. The Venezuelan oil basket averaged just US\$36.48 per barrel (/b) on 24-28 August, the lowest to date this year, meaning that China is likely getting rather good terms for this latest financing deal.

Already this year Maduro announced two previous US\$5bn loans from China, in January and again in April. It is never quite clear whether these announcements refer to brand new lending or merely reiterate previously-agreed loans. Certainly, a sizeable tranche appeared to have been transferred in late July/early August, bolstering weak Venezuelan central bank (BCV) reserves. Upon arrival in Beijing, Maduro said that the Venezuelan delegation had come to talk about "new forms of financing for development, perfecting those already existing". China's President Xi Jinping emphasised that China wanted to help Venezuela to "lift its industrial production" and aimed to "deepen bilateral cooperation". Maduro was due to attend a meeting of the XIV high-level mixed China-Venezuela commission to "revise in detail" the extensive (300 or so) economic agreements inked between the two self-declared strategic allies in the past eight years.

Speaking on his weekly TV show, 'En contacto con Maduro', the Venezuelan president announced that he and his Chinese counterpart had also agreed new joint projects in industrial development, agri-industry and technology under the auspices of the new 2015-2025 Venezuela-China development cooperation plan, under which a new Confucian Institute will be set up in Venezuela. According to Maduro, new 'special economic zones' will be established in Venezuela under the plan, but again there was no detail.

Maduro also announced a deal with the Chinese manufacturer Qindao for a new tyre factory in Venezuela; as well as plans for a new lorry factory with China's National Heavy Duty Truck company; and the expansion of Industria Electrónica Orinoquia, a mixed company operated by Huawei Technologies and Telecom Venezuela to produce mobile phones in Venezuela. Another factory will set up in Barcelona (Anzoátegui state) to produce inputs for the Socialist government's flagship public housing program, 'Gran Misión Vivienda'. Finally, there are also plans to boost joint cooperation in the gold sector. Venezuela has long been trying to resurrect its moribund gold mining sector.

Vietnam

Prior to Beijing, Maduro was in Vietnam, where he met his counterpart, Truong Tan Sang, Prime Minister Nguyen Tan Dung and Nguyen Phu Trong, secretary-general of the Vietnamese Communist Party. According to Venezuela's state AVN, the two countries have signed over 60 cooperation agreements to date, covering agriculture, energy, housing, electricity and oil, with Vietnam holding an investment stock of US\$1.8bn in Venezuela as of April 2015. In the oil sector however, the fate of PetroMacareo, a joint venture between Pdvs and Petrovietnam (PVN), remains unclear. In late March, sector media reported that PVN was considering selling its 40%

“Only he would think of going to China 'to seek help' the same week that China's financial collapse causes a global crisis. Pure 'Madurismo!'”

- Jesús 'Chuo' Torrealba, secretary general of the opposition Mesa de la Unidad Democrática, was scornful of the timing of President Maduro's visit to Beijing.

Organisations excluded

While the new 'consultative council' includes representatives from indigenous organisations like the lowlands-based Confederación de Pueblos Indígenas de Bolivia (Cidob) and the highlands-based Consejo Nacional de Ayllus y Markas del Qullasuyu (Conamaq), others which were previously represented in the Fondioc directorate but will not be represented in the new council are the Asamblea del Pueblo Guaraní (APG), Coordinadora de Pueblos Étnicos de Santa Cruz (CPESC) and Central de Pueblos Étnicos Mojeños del Beni (CPEM-B). The APG is complaining that its exclusion is a punishment for protests last month against government efforts to explore for petrol in indigenous territory.

stake in the Junín 2 block, in Venezuela's heavy-crude Orinoco belt, which with an estimated US\$1.8bn five-year investment was meant to process 200,000 barrels per day (b/d) of extra-heavy crude. PetroMacareo reported no production in 2014.

BOLIVIA | POLITICS

Morales loses an 'untouchable' as speculation over re-election bid mounts

Last week Bolivia's President Evo Morales announced the overhaul of the government's indigenous development fund (Fondioc). The Fondioc, which sits under the rural development & land ministry, made headlines in February [WR-15-12] following an audit which revealed major corruption – one of worst scandals to afflict Morales's Movimiento al Socialismo (MAS) government since it first took office in 2006. Days later, rural development & land minister, Nemesia Achacollo, long considered one of Morales's 'untouchables', resigned (albeit while maintaining her innocence). Her departure is widely considered an exercise in damage control ahead of attempts by the MAS to change the 2009 constitution to allow Morales to run for a fourth consecutive term in 2020.

On 25 August Lariza Fuentes – a lawyer appointed to intervene in the Fondioc – presented the results of a probe into the fund, set up in 2005 and which receives 5% of the proceeds generated by Bolivia's hydrocarbons tax. Fuentes found 30 phantom projects worth B\$14.51m (US\$2.1m), bringing the total economic damage to the State caused by corruption at Fondioc to B\$102m (US\$14.8m). This was B\$30m more than that reported in February when the scandal first broke. The scandal was highly damaging for Morales and the MAS in the March gubernatorial and local elections, particularly in its former bastion, La Paz department, where the (defeated) MAS candidate, Felipa Huanca, a leader of the Federación de Mujeres Campesinas Bartolina Sisa (Bartolina Sisa) indigenous organisation, was directly implicated. The governorship went to Félix Patzi of the newly launched left-wing Soberanía y Libertad (Sol.bo).

On 26 August Morales issued a supreme decree (DS-2493) creating a new entity to replace the Fondioc. One of the main changes is that the government will have increased influence in the new 'consultative council' which replaces the old Fondioc's directorate. While the former directorate included representatives from eight of the main indigenous organisations, the 'consultative council' will have representatives from just four – a source of grumbling from those excluded (*see sidebar*). It will be presided over by the rural development & land ministry with representatives from the ministries of productive development and plural economy; environment & water; development planning; and economy & finance).

Six days later, Achacollo and Bolivia's ambassador to Paraguay, Rosendo Alpiri, announced their resignations – the latter implicated in one of the phantom projects uncovered by Fuentes. President Morales has named César Cocarico, a former MAS La Paz governor (2010-2015), as the replacement for Achacollo, who was in the post since 2010; while MAS Senator Eugenio Rojas has been named as the new Fondioc director.

Rumblings of re-election

The local media linked Achacollo's departure to the MAS's prospective efforts to change the constitution to allow President Morales to stand for election again. The MAS has the necessary two-thirds majority in the bicameral national legislature to approve a constitutional amendment (with 89 of 120 seats in the lower chamber and 25 of 36 in the senate) and the ruling party is due to discuss the issue during a party congress scheduled for November.

The 2009 constitution allows for two consecutive presidential terms and Morales, first elected in 2005 and re-elected in 2009, was permitted to run again in 2014 on the grounds that he had only served one term under the new constitution.

Juan Váldez's international expansion

On 25 August Colombia's national coffee growers federation (FNC) announced the opening of two new 'Juan Váldez' coffee shops abroad. In a statement the FNC said that its Colombian coffee promotion arm (Procafecol) had opened Juan Váldez shops in the capitals of Paraguay and Malaysia last week, bringing the total number of Juan Váldez shops to 326 (including the 225 existing ones in Colombia). Procafecol president Hernán Méndez hailed the new openings. Noting that Procafecol's mission is to promote Colombian coffee at home and internationally, Méndez said that "our international expansion has become more dynamic and we hope we will have opened our 120th shop abroad by the end of the year".

REGION | Trade with the EU. On 24 August the Andean community of nations (CAN) reported that bilateral trade between the customs union (which comprises Bolivia, Colombia, Ecuador and Peru) and the European Union (EU) was up 1.6% year-on-year in 2014 to reach US\$38.8bn. According to a CAN statement, the (albeit moderate) increase shows that trade between the blocs is continuing to recover after having reached a low point of US\$20.85bn in 2009, due to the international economic crisis. The CAN report shows that after posting consistent growth from 2005-2008, bilateral trade dipped in 2009 and has been increasing year-on-year since 2010. However, CAN's figures show that recovery of the group's exports to the EU is tentative while the trade balance remains amply favourable to the EU. The CAN report shows that CAN exports to the EU totalled US\$18.61bn, 5.4% less than in 2013. Nevertheless, the EU was the second largest market for CAN exports, accounting for 15% of the total, just behind the US, which accounted for 26% of the total. Imports from the EU totalled US\$20.22bn, 9% more than in 2013. On CAN figures, Colombia was the largest exporter to the EU, accounting for 49% of all of the bloc's exports, followed by Peru (31%), Ecuador (16%) and Bolivia (4%). This suggests that the free trade agreement (FTA) signed between the EU and Colombia and Peru in 2012 has had a positive impact on two-way trade between these countries and continues to drive trade between the CAN and the EU.

BOLIVIA | Oil exploration. On 26 August Bolivia's state-owned oil company Yaciminetos Petrolíferos Fiscales Bolivianos (YPFB) announced the start of oil exploration activities in the northern Amazonian department of Pando, which borders Brazil. YPFB and the Bolivian government expect to find around 50m oil barrels in the area, which is more than the 34m barrels that the country currently has in proven reserves. The announcement was made during a ceremony attended by President Evo Morales, Hydrocarbons Minister Luis Alberto Sánchez, and YPFB president Guillermo Achá. Sánchez said that Chinese firm Sinopec has been given permission to carry out 2D seismic surveys with a view to identifying potential oil well sites in the Madre de Dios basin in the Pando municipalities of Sena and San Lorenzo for a period of 400 days. According to Sánchez, YPFB will invest US\$48m in the unprecedented exploration efforts in this area. President Morales said that the local indigenous communities resident in the area have approved the oil exploration and potential exploitation in a previous consultation process, unlike some other indigenous communities who have expressed opposition to such activities. Morales said that this will allow for the development of a series of social projects in Pando, such as the construction of roads and bridges linking the municipality of Puerto Rico (which boasts a provincial airport) to Sena to the tune of US\$80m.

President Morales also announced that a series of social projects will be implemented in the Pando region, such as the construction of roads and bridges between Puerto Rico and Sena, requiring an investment of at least US\$80m. Morales reiterated that his government's long term objective is to turn Bolivia into "the energetic heart of South America", capable of exporting refined fossil fuels as well as electricity to neighbouring countries.

PERU | 'El Niño' and China prompt growth revision. On 24 August Peru's economy & finance ministry (MEF) presented its draft 2016 budget, which forecasts 3% GDP growth this year and 4.3% in 2016. The forecasts included in the budget by the MEF are lower than those previously held by the ministry, which in April predicted growth of between 3.5% and 4% this year. MEF head Alonso Segura said the adjustment was based on fears about a sudden economic slowdown in China; the expected flight of international capital to the US once the Federal Reserve moves to raise interest rates; and the expectation that this year's 'El Niño' climatic phenomenon will be severe, negatively affecting Peru's agricultural sector. However, Segura said the government was implementing a "moderately expansionary policy" that includes greater government spending in support of economic growth in the PEN138.4bn (US\$42.8bn) draft budget, 6.6% larger than last year's.

Falling popularity

According to a survey conducted by Ibope, requested by the PMDB, 76% of the inhabitants of the small town of Lavras da Mangabeira in the north-eastern state of Ceará, disapprove of the administration of President Dilma Rousseff. The result is striking because Rousseff won a staggering 86.6% of votes in the town at the latest presidential election in October last year. Nationwide, the Rousseff administration is seen as “bad” by 83.6% of the population, according to research conducted by Instituto Paraná Pesquisas, which shows the population evenly divided on whether Rousseff will be able to finish her term in 2018.

Temer ready and waiting

President Dilma Rousseff scored an own goal by allowing her cabinet ministers to call for the introduction of a new tax last week, only to backtrack in the face of fierce criticism. Meanwhile, her vice-president, Michel Temer, of the government’s dissident ally, the Partido do Movimento Democrático Brasileiro (PMDB), continued to distance himself from the government, starring in a new advertising campaign demanding “change” in Brazil, a move seen as a very public announcement that he is ready to replace his boss.

On 27 August, the health minister, Arthur Chioro, confirmed to the press that the government was considering a new 0.38% tax on financial transactions, ostensibly to fund the national health service. President Rousseff, however, seemed to have forgotten firstly to gather support for the idea in the federal congress. Both the leaders of the lower chamber and the senate were adamant that a tax raising bill would never pass in the current economic situation, with the senate president, Renan Calheiros, who had recently improved ties with Rousseff, going as far as to say that the government was “shooting itself in the foot” by even considering a new tax at a time when it faces increasing criticism over its handling of the economy.

The way the announcement was made also suggested that the finance minister, Joaquim Levy, one of the few cabinet members that still commands some influence with businesses, has little control of the government machine. Levy has been trying to rein in Brazil’s increasing public deficit by carrying out spending cuts in a bid to avoid raising taxes and further damaging economic growth prospects. His policies, however, have never been popular amongst the hardline Left of the ruling Partido dos Trabalhadores (PT).

Following the announcement by Chioro, Levy had no alternative but to show a united front and defend the new tax – after all it would raise an estimated R\$60bn (US\$16.75bn) annually for the public purse. But in the face of fierce criticism, the presidency announced after an impromptu cabinet meeting on 29 August in Brasília that it would not include the new tax in its budget for 2016. Meanwhile, Levy, who had previous commitments outside the capital, was still calling for “a discussion” about the new tax.

Significantly, Rousseff only called Temer to inform him of the proposal after business leaders cornered him to voice their opposition to the new tax during a pre-scheduled meeting in the city of São Paulo. Rousseff had also failed to inform business leaders of her government’s intention when she summoned them to a dinner in the presidential palace a couple of days before Chioro’s announcement. According to the Brazilian press, it was the fierce opposition of business leaders, who had previously positioned themselves against impeaching Rousseff for fear that the process would lead to political paralysis and further economic stagnation, that made her backtrack.

It seems now that some of those business leaders are coming to see Rousseff’s prospective impeachment as a way to relieve the intense pressure in the Brazilian political system so that politicians can get on with the necessary economic reforms to boost growth. Temer is well aware of the changing mood, having been quoted in the local press as dubbing the unfortunate tax proposal “project impeachment.”

Rousseff's "mistake"

In an interview with Brazilian journalists, President Dilma Rousseff declared: "You always ask me, what mistake have you committed? And I think to myself, what could it have been. That [the government] was too slow to realise the situation was graver than we imagined and, therefore, that we should have started rethinking [economic policy] earlier."

Rousseff and Temer have never been close, with the later being foisted on her by her predecessor, Lula da Silva (2003-2011), to guarantee continual support for the PT administration from the PMDB. Rousseff had mostly kept Temer out of the day-to-day management of her government, but with falling support, she called on him to serve as her political mediator in congress earlier this year. That was until mid August, when Rousseff dismissed Temer's negotiations after becoming anxious about his growing influence.

This might not have been mere paranoia: Temer is the star of the PMDB's latest media broadcast that starts with the words of the party's founding father, Ulysses Guimarães, when he called for the end of the military dictatorship (1964-1985): "The nation wants change, the nation must change, the nation will change."

BRAZIL | ECONOMY

Weak data forces Rousseff to admit "mistake"

The Brazilian economy contracted 1.9% in the second quarter of 2015, compared to the previous quarter, according to data from the official statistics agency (Ibge) released last week. This was the worst result recorded since 2009, bringing Brazil officially into recession following two consecutive quarters of negative economic growth. The weak data forced President Dilma Rousseff to admit errors in her administration of Brazil's economy, as the Tribunal de Contas da União (TCU), the country's financial watchdog, is expected to reject the government's books for 2014.

The latest figure released by Ibge was more than the market anticipated; research conducted by the news agency *Reuters* with economic analysts showed an expected contraction of 1.7% quarter-on-quarter. Significantly, the Ibge also revised downward its growth figure for the first quarter of 2015, to a contraction of 0.7%, from 0.2% previously. The combined drop meant the Brazilian economy shrank by 2.6 percentage points in the first half of the year in comparison to the same period in 2014 or a fall of 1.2% in the 12-month period through July.

Tighter monetary policy and growing inflation are damaging confidence and activity. Borrowing costs are at their highest since 2006, with the central bank raising the base interest rate, the Selic, for the seventh consecutive time in July to 14.25% annually to contain inflation. Prices, meanwhile, continued to rise, not helped by an increase in the cost of imports as the Real continues to crumble [WR-15-34]. Inflation stood at more than double the government's 4.5% annual target in the 12-month period through August.

Faced with the weakening economic data, President Rousseff conceded errors had been made in economic management (*see sidebar*). At the same time, Rousseff excused herself by claiming that this time last year, her administration had "no signals" that the economic tide had turned. "We can look at the data, from September, October, November. We did not imagine, firstly, that there was going to be such a sharp drop in tax revenues."

The conservative current affairs magazine *Veja* took issue with this assertion, accusing the Rousseff administration of embellishing federal accounts to boost her chances of being re-elected. Official figures show that federal tax revenues started to fall in July 2014. In September last year, the drop was of 0.89% in comparison to September 2013, followed by a drop of 2.88% year-on-year in October. The government, however, turned the tax taking deficits into surpluses by adding expected revenues from the Refis, a government programme that allows companies to spread their tax payments across instalments of up to 15 years.

Dirceu to testify to congress

José Dirceu, one time right-hand man of former president Lula da Silva, was summoned to testify in congress after being implicated in the corruption scandal at the State-controlled oil company Petrobras. Dirceu, who fell from grace and served time behind bars after being convicted of masterminding the *mensalão* scheme, in which congressmen were paid money embezzled from State companies to support the Lula administration in congress, now lies accused of receiving as much as R\$8m (US\$2.2m) from construction companies to guarantee they won overpriced contracts with Petrobras through his consultancy company JD Consultoria while in prison.

Following Rousseff's re-election at the end of October, the government stopped adding resources from the Refis into its accounts, announcing a sharp drop in tax revenues of 12.86% in November and 8.9% in December, leading to a fall of 1.9% annually last year in comparison to 2013. The government's manoeuvre is being investigated by the TCU, which in an unprecedented move postponed its decision on whether to approve the government accounts in June [WR-15-24].

According to local reports, the country's fiscal ombudsman's office, had found up to R\$251bn (US\$80bn) in errors made in the accounting of the Rousseff administration. If the government fails to explain its accounting, Rousseff could be charged with "fiscal irresponsibility," opening a legal avenue for the opposition to seek her impeachment in congress. No wonder Rousseff predicted in a radio interview that 2016 "will not be a marvellous year." She was referring to the Brazilian economy, but the comment could well apply to her political future.

BRAZIL | JUSTICE

Top judge questions attorney general's impartiality

The impartiality of the recently re-appointed attorney general, Rodrigo Janot, has been called into question by supreme court judge Gilmar Mendes, after the two men clashed over demands from the electoral tribunal (TSE) to look into whether crimes had been committed by President Dilma Rousseff during her re-election campaign last year.

Janot was re-appointed to the post, responsible for overseeing the prosecution of politicians suspected of corruption, following an epic 10-hour cross-examination in the federal congress on 26 August. Under questioning, Janot vehemently denied accusations levelled by the opposition and the speaker of the lower chamber, deputy Eduardo Cunha, that he had struck a deal with the government to go easy on the ruling left-wing Partido dos Trabalhadores (PT), and protect President Rousseff on the way, as the ongoing probe into corruption at the State-controlled oil company Petrobras spread to top figures of the party and other lawmakers, including Cunha himself.

Talking to the current affairs magazine *Veja* on 31 August, Mendes, a member of Brazil's supreme court who heads the TSE, declared that "he [Janot] should not act like a lawyer for the PT" and "must not follow a juridical interpretation just to protect the president."

The interview followed the publication by the newspaper *O Estado de São Paulo* on 29 August of an adjudication issued by Janot, in which the attorney general dismissed as "inconvenient" a request made by Mendes to investigate whether graphics company VTBP, employed by Rousseff during her re-election campaign, received money embezzled from Petrobras.

Curiously, Janot issued his adjudication to the TSE on 13 August, a week after Rousseff gave the green light for his re-appointment. In the adjudication, Janot claims "it is not in society's interest that controversies over the elections continue perpetually." He went on to say that "those elected must be allowed to enjoy the prerogatives of their positions and the losers must recognise their situation and prepare themselves for the next election." According to Janot, the date to investigate electoral crimes had expired.

Mendes, on the other hand, demurred saying that "even so, there is the possibility that other [civil] crimes have been committed, such as money laundering" and which do not expire under Brazilian law. "If there is an indi-

Deficit

Brazil's federal government posted a fiscal deficit of R\$7.22bn (US\$2bn) in July, the worst monthly result since records begun in 1997. The figure brought the accumulated deficit in the 12-month period to July to 0.77% of GDP, well below the government's reduced target of a 0.15% surplus (it was 1.1% of GDP previously).

cation that other crimes were committed which are connected to electoral crimes it is the attorney general's role to act," Mendes declared. He then went on to say that "if he [Janot] wants to give his opinion against the [TSE] investigation, he should give his reasons. If he does not see irregularities in how the graphics company was paid, he should say so. But it is not his role to say what the limits of the electoral court are."

Mendes approved Rousseff's campaign accounts in December last year, as requested by Brazilian electoral legislation, albeit with reservations and raised his doubts to relevant governing and juridical bodies, including the federal police and the financial ombudsman. As federal police investigations uncovered the extent of corruption at Petrobras, VTPB was one of the companies accused of serving as a front to channel illegal funds. According to the electoral tribunal, there are clear indications now that VTPB received R\$26.8m (US\$7.3m) from the PT, of which R\$23m (US\$6.25m) were in relation to works supposedly carried out for Rousseff's campaign.

Despite Janot's criticism, the TSE is examining other cases against Rousseff's re-election campaign, with five of the seven TSE judges voting last week in favour of continuing to look into evidence presented by the opposition. The latest case refers to a marketing company, Mascote Flag, which was registered under the name of Angela Maria do Nascimento, a domestic servant. According to documents seen by the court, the company was paid R\$1.6m (US\$435,000) to set up street stands to promote Rousseff. "I cannot even imagine how much money that is," declared Nascimento to the press, claiming she received a mere R\$2,000 (US\$545) for her work.

TRACKING TRENDS

ARGENTINA | Construction starts to pick up. On 31 August Argentina's national statistics institute (Indec) released the latest instalment of its construction sector activity indicator (Isac), which shows that activity in the sector increased by 13.3% in July. The July Isac figure is a new four-year high, and suggests that the sector may finally be emerging from the slump into which it has fallen in recent years, as sector spending has significantly increased in this electoral year. According to the Indec report, the Isac reached 206.4 points in July, its highest monthly measurement since May 2011, on the back of increased government spending on infrastructure projects such as roads and housing.

Indeed, Indec has pointed out that the seasonally adjusted Isac figure was 12.7% higher. All of this has contributed to the sector posting a cumulative 8.5% year-on-year increase in the first half of the year, a new record. Encouragingly, this is producing optimism in the sector, with sector businessmen polled by Indec expressing confidence that this greater dynamism is set to continue in the short-term. According to Indec, 27.1% of construction entrepreneurs polled said that they expected this increase in activity to continue in the foreseeable future, compared to 16.7% who expected a fall.

However, this optimism has not yet translated into more dynamism in the sector's labour market. According to the Indec poll, only 3.8% of respondents expected an increase in the size of their payroll in coming months compared to 15.4% who expected a reduction. Among those entrepreneurs who work in the public sector, 20.8% expected to increase the size of their payrolls and 18.8% expected to reduce it. These contrasting responses show that the construction sector's performance appears to still be very much dictated by Argentina's fluid political environment with its short-term prospects largely dependent on the outcome of 25 October general elections. In the meantime the government has moved to ensure that it will have sufficient resources available in the run-up to the elections by approving, on 1 September, a Ar\$1.1bn (US\$118m) increase to the national budget to cover all of its expenses this year.

Peña Nieto hits halfway point, makes ministerial changes

Mexico's President Enrique Peña Nieto reached the halfway point of his single six-year term this week. He marked the milestone not just by presenting the traditional annual state-of-the-nation report – the 'Informe Presidencial' – to the federal congress but also by conducting his first major cabinet reshuffle since coming to power in December 2012. Some of the cabinet changes suggest the difficulties that the Peña Nieto government has encountered in the areas of national security, education and promoting social and economic development.

The preceding 12 months have been the most difficult yet for President Peña Nieto. While the first two years of his term will be remembered for the successful passage of a series of ambitious structural and economic reforms designed to unlock Mexico's full economic potential, the 2014-2015 rolling year has been marked by major setbacks on the national security front, sluggish domestic economic growth and even corruption scandals implicating him and his inner circle. This scenario made the presentation of the third Informe even more eagerly anticipated than usual.

Mexico's media and political class in general expected that President Peña Nieto would be forced to acknowledge that things have not gone as well as he would have liked in the past year which could force him into announcing some significant policy shifts in the Informe. In fact, various local commentators were quick to point out that the problems that have plagued the government this year have led to a substantial seven percentage point fall in Peña Nieto's approval over the past year to reach a new low of 44%. Perhaps aware of all this, on 27 August, Peña Nieto unexpectedly opted to conduct the most far-reaching changes to his cabinet yet just days ahead of the release of the Informe.

Reshuffle

Peña Nieto made a total of ten changes in seven ministries (*see sidebar*). At first glance, this could be seen as signalling drastic policy shifts. But upon closer inspection the changes are only some minor adjustments. In particular, the heads of two key ministries – the interior ministry (Segob) and the finance ministry (SHCP) – remained in their posts despite national security setbacks such as the mass abduction of training teachers from Iguala and the improbable escape of drug kingpin Joaquín 'El Chapo' Guzmán Loera; and despite the lower-than-expected economic growth even though the 2012-2013 economic reforms have practically come into full effect. Yet Miguel Angel Osorio Chong and Luis Videgaray Caso were ratified at the Segob and the SHCP respectively. Both men are seen as potential Partido Revolucionario Institucional (PRI) presidential candidates for 2018 and their continued presence in the cabinet has only reinforced this view.

In contrast, the departure of education minister, Emilio Chuayffet, suggests that his chances of winning the PRI's nomination are now gone. A PRI political heavyweight, Chuayffet was appointed to the education ministry (SEP) by Peña Nieto to oversee the implementation of the education reform, which remains fiercely opposed by teachers' unions. But Chuayffet failed to appease the unions and ensure the reform's full implementation. With Chuayffet said to be suffering from health problems, he was replaced by Peña Nieto's chief of staff, Aurelio Nuño, a young politician who appears to be the President's protégé.

The other key changes came in the area of security. Osorio Chong may have been spared from having to pay the political cost for the recent public

Other cabinet changes

Other cabinet

changes include the departure of Enrique Martínez y Martínez from the agriculture ministry (Sagarpa),

who has been

replaced by José

Calzada Rovirosa;

the appointment of

Rafael Pacchiano as

the new head of the

environment ministry

(Semarnat) replacing

José Guerra Abud.

Francisco Guzmán

Ortiz has replaced

Auerilo Nuño as

President Peña

Nieto's chief of staff;

and José Reyes

Baeza has been

appointed as the new

head of the social

security institute for

State workers

(ISSSTE), filling a post

left vacant since the

death of previous

ISSSTE head,

Sebastián Lerdo de

Tejada Covarrubias,

in May.

Poverty on the rise

Rosario Robles's departure from Sedesol comes after the release of new data from the national statistics institute (Inegi) forced her to admit that despite the launch of a series of poverty reduction programmes by the Peña Nieto administration, the national poverty rate had actually increased by 0.7 of a percentage point to 46.2% since 2012. Robles had come under heavy criticism from the opposition since last year, when Sedesol programmes were being used to secure electoral support for the PRI in the run-up to the 7 June midterm federal legislative, state and municipal elections first emerged. Meade, who has no political affiliations, will now be in charge of one of the ministries with the biggest budgets.

security debacles but others were not. Monte Alejandro Rubido, the national security commissioner, was replaced by Renato Sales, until now the head of the federal anti-kidnapping unit. Similarly, Jesús Murillo Karam, who served as federal attorney general until he was moved to the agricultural, territorial and urban development ministry (Sedatu) in February, has now been shuffled out of the cabinet. Murillo was accused of mishandling the initial investigations into the Iguala kidnappings as well as into the various recent allegations of extrajudicial killings by the federal security forces.

Murillo was replaced at Sedatu by Rosario Robles, the head of the social development ministry (Sedesol), who failed to achieve the main objective set out for Sedesol- to reduce poverty (*see sidebar*). Like Murillo, Robles appears to have been relegated to a less relevant role prior to her ultimate departure. Intriguingly, Peña Nieto opted to fill the vacancy at Sedesol with his foreign minister, José Antonio Meade Kuribreña, who after Osorio Chong and Videgaray has been one of the most visible cabinet ministers. Meade's old job was given to Claudia Ruiz Massieu, the tourism minister, who now takes over a more prominent role despite her lack of diplomatic experience. Ruiz's previous post has been given to Enrique de la Madrid Cordero, until now director of the national foreign trade bank (Bancomext).

Informe kept under wraps

The cabinet reshuffle helped deflect some of the focus on the Informe. Yet while Peña Nieto fulfilled his constitutional duty to submit the report to the newly installed congress on 1 September, he took the unprecedented decision not to make its contents publicly available until after he presented the Informe during a nationally televised broadcast on 2 September. In his speech Peña Nieto acknowledged some of the setbacks suffered by his administration but claimed progress in all areas and said that his government will continue to consolidate its reform agenda and government plan in the second half of his term. Unsurprisingly this failed to convince the opposition, which has dismissed the cabinet changes as 'cosmetic', describing it as a "triumphalist monologue" and promising to take the government to task in the new congress.

MEXICO | SECURITY

Questions raised about most-wanted list

For a number of years, Mexican governments have been following a so-called 'kingpins' strategy against the big drug trafficking organisations (DTOs), identifying and targeting their top leaders for capture. It is a strategy reminiscent of that deployed by the US armed forces in Iraq after the 2003 invasion, when they listed a 'deck of cards' made up of 52 top fugitives from the defeated Ba'ath party regime that they wanted to capture: the Ace of Spades was Saddam Hussein, eventually captured in 2003 and executed in 2006. The current Mexican government led by President Enrique Peña Nieto started out with a list of 122 targets, and before the prison escape of Sinaloa DTO leader, Joaquín 'El Chapo' Guzmán, last July, it claimed that it had neutralised 93 of them. But matters have become somewhat confused. Unlike the 'deck of cards' the Mexican government says the exact names on the list have always been secret; some have been dropped off; and the 'most wanted' are actually no longer 122, but 30.

The 'kingpins strategy' has been hotly debated. Supporters say it hits the DTOs where it hurts, right at the top of their organisational structure, and provides a clear and transparent way of monitoring the progress of law enforcement agencies. They also argue that it acts as a strong disincentive to minor criminals who may be aspiring to become the kingpins of tomorrow.

Opponents say 'decapitation' of the big DTOs can often lead to a surge in violence, setting off turf wars for the succession. They also say the strategy does not address what some have seen as a trend towards smaller, more fragmented, more violent and diversified criminal groups, which are proving more difficult to control.

Removed from the list

Those dropped from the Mexican government's 'most wanted' list include Juan José 'El Azul' Esparragoza (Sinaloa DTO) Juan Pablo 'El JL' Ledezma (Juárez DTO) and Ignacio 'El Nacho' Rentería Andrade (La Línea DTO). No reason was given for their removal.

One of the most worrying reflections was recently made by Raúl Benítez Manaut, a security expert at the Universidad Nacional Autónoma de México (Unam), who told the *New York Times* on 12 August that "In Mexico, there has been a copy of the American antiterrorism strategy of high-value targets. What we have seen with the strategy of high-value targets is that al-Qaida has been diminished, but a monster called the Islamic State appeared. With the cartels, it has been similar".

Whatever the results of the debate over the kingpin strategy, until recently the Peña Nieto administration was clearly satisfied by its progress. Often working closely with US law enforcement, elite Mexican security forces such as the marines have been able to track down top leaders of DTOs such as Los Zetas, Los Caballeros Templarios (LCT), and Sinaloa. Their biggest success was the capture of 'El Chapo' in February 2014, based on high-tech electronic surveillance tracking.

Interior Minister Miguel Angel Osorio Chong has repeatedly underlined progress in tracking down those on the list of 122 criminal leaders. As recently as last May, at a press conference discussing Nemesio 'El Mencho' Oseguera Cervantes, the leader of the *Cártel Jalisco Nueva Generación* (CJNG), Osorio Chong described him as one more of the 122: "we have captured or taken down 93 on the list, and Nemesio Oseguera is one of the names on it that we in government have set for ourselves, so there is a process for his arrest", the minister said.

New list

But last week, as a result of a freedom of information request filed by local website *Animal Político* and endorsed by the national transparency, access to information and data protection institute (Inai) a number of little-known details about the list emerged. These were first, that the government has never published all 122 names on the list and reserves the right to keep them secret; second, that at least 10 top DTO leaders still at large, who had been on the list for over 10 years, have now been dropped off it (*see sidebar*); and third, that there is a new list of the top 30 'most wanted' criminals: the identity of only some of them is publicly known.

Inai ordered the federal attorney general's office (PGR), on behalf of the government, to reveal the identity of all those on the list of the 30 'most wanted', arguing that "Publishing the names of these criminals is for the good of the public and it is also mandated by transparency laws which are designed to allow citizens to count on accurate information that lets them evaluate the government's crime-fighting performance".

The PGR, nevertheless, maintained that only the top four of the 30 could be made public and that the other 26 should remain confidential. The top four are led by the recently escaped 'El Chapo', and also include Oseguera Cervantes, Mario Ismael 'El Mayo' Zambada (Sinaloa) and Francisco Javier 'El Panchito' Hernández García (Los Zetas).

As for keeping the remaining 26 secret, the PGR invoked various arguments. One was that some are subject to ongoing judicial proceedings involving confidentiality requirements. The PGR also said that most of the list should remain classified "so as not to compromise ongoing operations and investigations by national security personnel, as well as joint operations with international organisations".

Confusingly, the government itself publicises the names of some of the most wanted – in posters and media campaigns intended to lead to their capture – but in a Kafkaesque turn of events, it is apparently unwilling to confirm whether these individuals are, or are not, on the 'most wanted' list.

Doubts grow over legitimacy of election

Nearly two weeks after the first round of legislative elections [WR-15-32], Haiti's provisional electoral council (CEP) released preliminary results. With just a few candidates for the entire newly expanded 118-seat lower chamber of congress having secured a victory (and none of the candidates for the two-thirds of the 30-seat national senate), the CEP's report also confirmed fears about a record low turnout. The international community (the European Union and the Organization of American States sent electoral observer missions) and the government led by President Michel Martelly might have endorsed voting day (despite sporadic violence which forced the closure of 26 voting centres out of 1,508 nationwide), but concerns raised by other sectors regarding the legitimacy of the electoral process are mounting.

The CEP is due to release final results on 9 September, but it published the preliminary results on 20 August. These suggest that eight of the 1,621 candidates competing for the lower chamber avoided a second round run-off (scheduled for 25 October) while a ninth also looks set for a first round victory after his rival was excluded for electoral violence. CEP member Néhémie Joseph was also cited by the international press as saying that the court had opted to hold new elections in any constituency where less than 70% of the ballot papers had arrived at the voter tabulation centre – meaning elections will be restaged in 25 constituencies.

One major source of speculation (and concern) had been voter turnout and the CEP's other headline-grabbing announcement was that participation in the 9 August first round reached just 18% across the country. This is less than the record low of 22.8% of registered voters observed in the last electoral cycle in 2010 and has further triggered concerns regarding the legitimacy of the process.

With the preliminary results already rejected by various opposition parties, including Fanmi Lavalas (FL), the party of the populist former president Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004), and Fusion des Sociaux-Démocrates Haïtiennes (Fusion), the CEP has caused additional tension with its decision to exclude a total of 16 candidates for alleged electoral violence. The candidates affected were from a range of parties including President Martelly's Parti Haïtien Tèt Kalé (PHTK), Verité, the new party launched by former president René Préal (2006-2011), and FL.

Local human rights leaders like Pierre Espérance of Réseau National de Défense des Droits Humains (RNDDH), hailed this decision. But those affected, like senate candidate Arnel Belizaire (of the opposition Ansanm patriyòt pou lavni Ayiti), rejected the charges as political. Belizaire instead told reporters that his exclusion was a personal decision taken against him by the CEP president, Pierre Louis Opont.

Further indicative of the tensions which characterised voting day, on 24 August the CEP issued a communiqué warning political parties that it would not tolerate further acts of disorder ahead of the 25 October second round run-offs (which coincide with the first round of presidential elections). In the statement, the CEP "deplored" the fact that candidates and their supporters had "disrupted" the voting on 9 August, "ransacking voting centres and stealing voting materials". It then went on to identify the parties guilty of the disruption in eight of the 10 departments affected (only Nippes and the Nord-Est were exempt). Of the 16 parties named, Martelly's PHTK and

Martelly under fire over sexist remarks

Last month Haiti's social affairs & labour minister, Victor Benoît; Women's minister, Yverose Morquette; and secretary of state for literacy, Mozart Clerisson all resigned. The departure of the officials, all members of the opposition Fusion des Sociaux-Démocrates Haïtiens (Fusion), was in protest at sexist remarks made by President Michel Martelly on 28 July. According to the local and international press, Martelly, a former wild-child pop star, made his comments at a rally for his Parti Haïtien Tèt Kalé (PHTK) in Miragoâne city, Nippes department, after a woman in the crowd criticised his government, accusing it of incompetence and failing to deliver electricity to her community. As reported in the media, President Martelly responded with coarse, sexist language, telling her in Haitian Creole to "go get a man and go in the bushes" to have sex.

Corrective measures

According to the *Miami Herald* the corrective measures announced by the provisional electoral council (CEP) include the provision that the campaigning period will extend beyond a month for the second round, while credentials for political party monitors will be available 15 days before the vote.

Reseau Nationale Bouclier Haitien (Bouclier) were most frequently mentioned – PHTK for disrupting the vote in six different departments, and Bouclier – a party widely considered to be an ally of PHTK – in four.

Other concerns

While the CEP has announced various corrective measures it plans to take ahead of the 25 October elections in order to prevent a repeat of the violence, late starts, and problems with voter lists that affected the first round (see sidebar), but this has failed to allay the concerns of many of the critics of the electoral process.

On 25 August three civil society groups – RNDDH, the Conseil National d'Observation des Elections (CNO) and the Conseil Haitien des Acteurs Non Etatiques (CONHANE) – published its electoral observation report. The three organisations – which between them sent 1,500 observers to polling stations in all 10 departments, covering 48% of the total 1,508 voting centres – found that incidences of “violence, interruption of the voting process and direct pressure on voters” took place in 391 of the 728 voting centres it observed, and that “massive fraud” took place in 104.

As well as criticising the locations of many of the voting centres themselves – which reportedly included private homes, public offices, clinics and even a night club – the report by the human rights groups also noted incidents of violence which took place in the run-up to the election, between 9 July and 2 August. These included five assassinations; two attempted murders; and 18 cases of gun-related violence.

EL SALVADOR | POLITICS & SECURITY

More than 60,000 terrorists on the streets

The constitutional chamber of the supreme court has issued a ruling which could be a game changer in El Salvador. As the government led by President Salvador Sánchez Cerén has taken the fight to the country's *maras* street gangs, leading to violence spiralling out of control, the court ruled that *maras* members can be described as terrorists and that belonging to one of the gangs is a crime. While President Sánchez Cerén celebrated the court's interpretation of the country's anti-terrorism law, the ombudsman, David Morales, warned against the risk of it being used to justify “abuses of authority”.

Until this ruling, relations between the Sánchez Cerén administration and the constitutional chamber could best be described as fractious. But Sánchez Cerén hailed this particular ruling, which came in response to four legal challenges to the country's anti-terrorism law on constitutional grounds, as did El Salvador's entire political class. Sánchez Cerén said that judges would now have “no alternative” but to apply the anti-terrorism law to *maras* members “and those who collaborate with them”.

Morales, meanwhile, suggested that while the ruling might assist judges to apply the anti-terrorism law, it would not solve the problem of violence. There were more than 800 murders in El Salvador in August, according to Mauricio Ramírez Landaverde, the director general of the national police (PNC); this figure smashed the previous most violent month (last June with 677 homicides) since the civil war (1980-1992). There are more than 60,000 members of *maras* street gangs in El Salvador. Morales said that it was essential to persevere with “an integral strategy against violence” (providing opportunities for misled youths, for instance) and that designating *maras* as terrorists might give a completely free rein to the police and military, potentially leading to more abuses and more violence.

Homicides fall again

In the first seven months of this year there were 3,000 homicides recorded in Honduras, marking a trend which, if maintained, could lead to a 20% fall since 2014. San Pedro Sula registered the greatest decline.

In the past five years the number of homicides rose steadily from 5,280 to a peak of 7,172 in 2013. They then fell by 10.3% in 2014, with a bigger decline expected this year. In January-July, there were 489 cases in San Pedro Sula, an unexpected 29.2% lower than in the same period of 2014. In the central district (which comprises Tegucigalpa and Comayagüela) it fell to 510 cases, 8.4% lower than a year earlier.

Leonel Saucedo, spokesman for the national police (PNH), attributes the improvement in San Pedro Sula to two factors: rapid response to crimes and greater coordination between all institutions involved in public security. Both of these are priorities in the government's 'citizen security and coexistence plan' devised in late 2014 and launched this year. Saucedo dismisses the differences shown up in the statistics between San Pedro Sula and the central district, saying that these are slight and that what is important is that the situation in both has improved

TRACKING TRENDS

HONDURAS | Trade rebounds. The first half trade deficit was US\$2.5bn, an increase of 5.7% over the US\$2.4bn reported by the central bank in the equivalent year-earlier period. Exports came in at US\$2.3bn, up by 4.4% annually, thanks in particular to stronger coffee sales, as Honduras and other small producers benefit from a depressed harvest in Brazil.

As such, coffee exports rose by over a third to reach US\$829m in the first half, with a very sizeable 25% increase in volumes shipped and a 9% increase in prices. Coffee exports are destined mostly for Europe and the US. Meanwhile total agri-industrial exports, which also include things like palm oil, shrimp, sugar and tilapia, were worth US\$1.3bn in the first half, making up 56% of the Honduran export basket, and underlining its reliance on this sector. Traditional agricultural exports were worth US\$329m in the first half, a rise of 2.4%, thanks largely to a 7.8% increase in sales of bananas (to US\$242m). Sales of other products (melons, watermelons and vegetables) fell, amid a severe drought in Central America that has affected harvests this year.

Elsewhere manufacturing exports, valued at US\$530m, accounted for 23.1% of the first half total, with increased sales of manufactured iron products, paper & carton and textiles; most Honduran textile exports are produced in local off-shore assembly factories (*maquiladoras*) for re-export to US.

First half imports came in at US\$4.8bn, up 5.1% annually. While the stronger US dollar likely pushed up the import bill, the broad-based increase in imports also reflects the rebounding domestic economy. As such, primary and intermediate goods imports (some of these will be maquila inputs for re-export) rose by almost a quarter to US\$1.6bn, while capital goods were up by 14% to US\$763m and consumer goods by 7.6% to US\$1.4bn. There was also a big spike in imports of construction goods, which surged by 51.2% year on year (to US\$223.5m). This was due to one-off purchases for the new solar parks being constructed in the country.

Finally, thanks to the fall in global oil prices energy imports (fuel, lubricants and electricity) came down by 32.4%, which will help to bring down the large deficit on the external account (the current account deficit typically averages 7-8% of GDP), while also giving local Honduran producers an important breathing space as they get back on their feet.

“The first half trade deficit was US\$2.5bn, an increase of 5.7% over the US\$2.4bn reported by the central bank in the equivalent year-earlier period. Exports came in at US\$2.3bn, up by 4.4% annually, thanks in particular to stronger coffee sales, as Honduras and other small producers benefit from a depressed harvest in Brazil.”

Quotes of the week

“We cannot tolerate the marking of houses of decent, humble and hardworking people so that they can be demolished just because.... this is something that we have only seen in the darkest moments of history.”

Andrés González, Colombia's permanent representative to the Organization of American States (OAS), talks about the humanitarian crisis in the Colombia-Venezuela border.

“We are on the side of the immense majority of Mexicans that are deeply dissatisfied with this government's poor and mediocre results in the economy, in [public] security, in the fight against poverty and the fight against corruption... The 70% of Mexicans that today disapprove of this government are not mistaken. The one that is mistaken is the government.”

Ricardo Anaya, the president of the right-wing opposition Partido Acción Nacional (PAN) responds to President Enrique Peña Nieto's State of the Nation address

“Minister Burgos has no idea about the Mapuche conflict.”

Francisco Huenchumilla, the recently dismissed governor of Chile's Araucanía Region, criticises Interior Minister Jorge Burgos.

Chilean government fires governor in Mapuche heartland

The commitment of the Chilean government led by President Michelle Bachelet to resolving the historical conflict with the indigenous Mapuche is in question after the summary dismissal of the intendante (governor) of the south-eastern region of Araucanía. Bachelet appointed Francisco Huenchumilla, a Mapuche and former mayor of Temuco, the capital of Araucanía, when she took power in March 2014. Huenchumilla immediately made waves by making an unprecedented apology to the Mapuche on behalf of the State.

The dismissal of Huenchumilla followed the start, on 24 August, of a demonstration in Araucanía by truck drivers who travelled from Temuco to Santiago with a dozen vehicles that had been burnt out by armed and hooded protesters in the region. The truck drivers handed a petition to the government three days later demanding more security. Huenchumilla was fired after a meeting with the interior minister, Jorge Burgos. Huenchumilla later claimed, in an interview with the local radio station *Bío Bío*, that he had said that “the truck drivers have a point, they are not responsible for the Mapuche conflict”. Huenchumilla also accused the Bachelet administration of “throwing fuel on the fire” by slamming the door shut on dialogue with the Mapuche. Andrés Jouannet, an adviser to Burgos, was appointed as the new governor of Araucanía.

Huenchumilla appears to have touched a raw nerve not so much for his comments about the truck drivers but because of a 42-page document he had just completed for presentation to the government that spells out his proposed solution to the Mapuche conflict. The document makes several trenchant criticisms of the government, which it accuses of persevering with a mistaken policy: treating the conflict as a public security rather than a political matter.

Huenchumilla argues that the only possible solution to the conflict is through the big forestry companies operating on the Mapuche's ancestral territories. He contends that their land was never the Chilean State's to award to the forestry companies in the first place and that it should assume its responsibility. This is a decidedly uncomfortable truth and perhaps not one that the Bachelet administration, facing major economic and political difficulties and reeling from low approval ratings, was prepared to hear right now.



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