

latin american weekly report

08 October 2015, WR-15-40

ISSN 0143-5280

CONTENTS

BRAZIL & SOUTHERN CONE

ARGENTINA 3

Scioli's absence major talking point in debate

ARGENTINA 4

IMF, Eclac, World Bank disagree over forecasts

ANDEAN COUNTRIES

COLOMBIA 5

Drug kingpins downed in double strike

VENEZUELA 7

Lifting the lid on an empty barrel

PERU 9

Where is the anti-establishment candidate?

TRACKING TRENDS

MEXICO & NAFTA

MEXICO 11

From Tlatelolco to Ayotzinapa

MEXICO 12

Healing rift with US after 'El Chapo' flight

CENTRAL AMERICA & CARIBBEAN

JAMAICA 13

Cameron sidesteps reparations issue

EL SALVADOR 14

Violence dominates politico-economic agenda

TRACKING TRENDS

POSTSCRIPT 16

Tornado carries Mexico's first independent governor to office

Quotes of the week

This edition of *Latin American Weekly Report* has been produced for Canning House Corporate Members by LatinNews (www.latinnews.com).

Latin American Newsletters since 1967

Lula and PMDB win influence in Brazilian cabinet reshuffle

Brazil's President Dilma Rousseff conducted a cabinet reshuffle on 4 October which left the Partido do Movimento Democrático Brasileiro (PMDB) with seven ministries compared with the nine in the possession of the ruling Partido dos Trabalhadores (PT). Although the PT retains many of the key portfolios, including the massive, newly merged ministry of labour & social security, the PMDB will actually control the larger total budget: R\$99bn (US\$25.5bn) in the 2016 budget versus R\$75.5bn. In this sense the PMDB was the winner in the reshuffle, as was former president Lula da Silva (2003-2011) whose advice Rousseff now appears to be heeding.

The latest manoeuvres were designed as much to exploit the fissures within the PMDB as to buy its allegiance. The largest party in Brazil, the PMDB has at least three factions that orbit around the organisations leading lights: Michel Temer (the vice-president); Renan Calheiros (the federal senate president) and Eduardo Cunha (the speaker of the federal lower chamber of congress). The PMDB's Marcelo Castro, an ally of Cunha, now controls the health ministry, which has the second-largest budget of any ministry. His appointment to that important post irritated some within the PT, because it meant the displacement of one of their own – Arthur Chioro – with a man who has previously voted for constitutional amendments that would have cut financing for public healthcare. Another Cunha ally, Celso Pansera, was appointed to the science & technology ministry. Neither of these men has any expertise in their new portfolios.

In the reshuffle of the PT's jobs, Lula allies gained the upper hand. It was his advice to remove the abrasive Aloízio Mercadante from the position of cabinet chief, which he achieved despite President Rousseff's reluctance. In his place, Jaques Wagner, the former defence minister and a close confidante of Lula, takes over from Mercadante. Ricardo Berzoini, the former president of the PT, took control of a newly created super ministry, the ministry of government, following the fusion of the general secretariat of the presidency and the institutional relations ministry. Edinho Silva, meanwhile, was retained as the presidency's head of communications.

The question now is how much further Lula can go. Already there are a number of prominent pro-PT groups who are openly anti-Dilma and pro-Lula. Among them are the larger trade unions, such as the Central Única dos Trabalhadores (CUT), as well as the Movimento Sem Terra (MST), many of whom have complained vociferously about the Rousseff government's austerity programme.

Lula himself is reported to be gunning for Joaquim Levy, the finance minister, who he wishes to see replaced with Henrique Meirelles, the former central bank governor. Pushing out Levy, however, would severely damage

Olympics

The latest Olympic cuts will not affect infrastructure or Olympic venues, which are paid for out of a different budget. In the worst case scenario, there is a US\$700m contingency fund available from the federal government, but the organisers have promised not to use it.

Brazil's standing among international investors and make a downgrade by a second international credit rating agency a virtual certainty. Another minister in Lula's sight is José Eduardo Cardozo, the justice minister, also from the PT, who has refrained from intervening in the 'Operation Car Wash' investigation into corruption at the state-controlled oil company Petrobras.

Initially, the cabinet reform aimed to eliminate 10 ministries. In the end, Rousseff only managed to get rid of eight. Political pressure ensured that the ports and civil aviation ministries were not merged as planned – both PMDB ministers were retained. The sports ministry was also due to be incorporated into the ministry of education but the Partido Republicano Brasileiro (PRB) refused to lose its only cabinet post. Tourism was also meant to go, but the PMDB refused to lose its minister: Henrique Alves. In a largely symbolic gesture, Rousseff also ordered a 10% cut in her own salary as well as for all cabinet ministers and the vice-president.

Still, Rousseff's gestures to the PMDB have not yet proved that useful in congress. On 7 October the legislature again put off a session on whether to overturn her vetoes of two spending bills. The congressional setback poses fresh questions over her ability to raise taxes to plug a budget deficit.

On the same day Brazil's federal court of accounts (TCU) finally issued its long-delayed ruling on the government's 2014 accounts. By a unanimous verdict, it ruled that the government had manipulated the accounts to disguise a widening fiscal deficit. The ruling, the TCU's first against the federal government in nearly 80 years, is not legally binding, but it is likely to be used by the opposition as justification for initiating impeachment proceedings against Rousseff. Added to this, on 6 October, the supreme electoral court (TSE) ruled there were grounds to investigate Rousseff's re-election campaign, following suspicion that she used money from the Petrobras corruption scandal to fund it.

Down, but not out

The only good news, from the government's perspective, is the ever-increasing number of corruption allegations levelled at Cunha, the man with the sole responsibility for launching impeachment proceedings. On 1 October a group of federal legislators called for his resignation following the news that the Swiss government had provided federal prosecutors with the details of several bank accounts in his name. Cunha had previously testified to a congressional inquiry earlier this year that he had no foreign bank accounts.

Switzerland opened criminal proceedings against Cunha for suspected money laundering and corruption but the case has now been transferred to the Brazilian authorities as Cunha cannot be extradited under Brazilian law. Cunha has already been implicated in the Petrobras corruption scandal – so far he has denied all charges and has refused to comment on the latest revelations regarding his Swiss bank accounts.

Olympic cut backs

In the face of Brazil's worst recession for 25 years, the local organising committee of the Rio de Janeiro 2016 Summer Olympic Games is planning cutbacks of up to 30% of the R\$7.4bn (US\$2bn) operating budget. The committee is due to cut back on the number of organisers, as well as printed material and other 'back stage' costs. Operating income comes from ticket sales, local sponsorships, merchandising and licensing with the largest contribution from the International Olympic Committee (IOC). But so far ticket sales have underperformed; only 2m of the 5m tickets available for Brazilians have been sold.

A few weeks ago, Fernando Meirelles, the director of the film 'Cidade de Deus' (City of God) who is masterminding the opening ceremonies, announced that the events at Rio 2016 opening ceremony would cost just 10% of the amount spent for London 2012 Olympics' opening ceremony (see sidebar).

Scioli's absence major talking point in debate**Falklands order**

The Argentine government has declared “illegal” and “clandestine” the hydrocarbon activities carried out off the coast of the Falkland Islands (Malvinas) in Argentina’s continental shelf by the Noble Falklands Limited company, following the company’s failure to respond to a request for information. In June, a judge in Tierra del Fuego ordered seizures of US\$156m and the confiscation of ships and other assets belonging to oil companies illegally operating in the disputed territories.

Rarely has an empty podium received so much attention. When Daniel Scioli, the presidential candidate for Argentina’s ruling Frente para la Victoria (FPV, *Kirchneristas*) faction of the Partido Justicialista (PJ, Peronists), decided to skip an electoral debate on 4 October, campaign advisers for the participating candidates agreed that his absence should be highlighted. Sergio Massa, the third-placed candidate in the polls from the dissident Peronist Una Nueva Alternativa (UNA) grouping, applied this strategy most enthusiastically, giving over 30 seconds of his own time to mark a silent protest against Scioli’s non-attendance. It was moderately effective: in a fairly lacklustre event, only Massa demonstrated an element of showmanship. Once again, the second-placed candidate, Mauricio Macri, of the centre-right opposition Cambiemos coalition, disappointed.

In a little over two hours, the five candidates who took part, including Margarita Stolbizer (Progresistas), Adolfo Rodríguez Saá (Compromiso Federal) and Nicolás del Caño (Frente de Izquierda) as well as Massa and Macri, dedicated significant chunks of their airtime to criticising the 12 years of *Kirchnerista* government, blaming it for high levels of inflation; an increase in poverty (which they all agreed stood at 12m Argentines); high levels of corruption; and an increase in drug-trafficking.

As is common in these events, policy specifics were few and far between. One interesting element that differentiated both Massa and Macri from the others was their stated willingness to use the armed forces to tackle drug trafficking in Argentina’s most dangerous neighbourhoods. Both also agreed on ending the income tax on workers, but omitted the details.

In an attempt to persuade viewers that he was so far ahead of his rivals that he need not treat them seriously, Macri addressed them by their first names and used the opportunity he had to question them to excoriate the Kirchner administration instead. This tactic was widely agreed to have limited success: he also had little answer to the repeated citations of the recent slew of corruption allegations that have accumulated against his party, the Propuesta Republicana (PRO).

The debate was also not much of a televisual spectacle: the programme’s ratings were not particularly impressive, and it was beaten comfortably by the Sunday night state-sponsored football programme, Fútbol para Todos, and the investigative journalism programme, Periodismo para Todos. Worryingly for the participants, another opinion poll published two days before the debate showed Scioli winning in the first round, albeit the prediction is within the poll’s margin of error.

Massa wants more

Confident that he had the best of the night, Massa demanded a new debate in the days after the event. Mocking Scioli, Massa expressed the hope that “Cristina [Fernández] will allow him to attend” a putative second debate. While Massa still seems a long shot to beat Macri for second place, he is showing some signs of momentum in the polls, while support for the Buenos Aires mayor appears to be tailing off.

Speaking on 6 October, Massa insisted that the debate will have an effect at the polls and brought up figures that show he, as a dissident Peronist, had a better chance than Macri of defeating Scioli in a potential second round of voting. “We can beat Scioli in the runoff — Macri can’t,” he said. Accompanied by the economist Aldo Pignanelli, Massa also criticised Macri’s proposals for the Argentine economy, calling him “the candidate of poverty and austerity.” The most positive polls for Massa suggest his support is

Boden 2015

The payment of the Boden 2015 bond will now be followed by a new dollar-denominated debt issuance, of a minimum US\$500m. The new Bonar 2020 bonds will target local investors, in order to avoid possible claims from so-called 'vulture funds' abroad. The new bonds will pay 8% interest, higher than the 7% from the Boden 2015 but lower than the Bonar 2024, issued earlier this year, which yields 8.75%.

around 23%. Macri's meanwhile is still hovering at around 30%. Perhaps conscious of this, on 5 October Massa offered some fulsome praise of Stolbizer, who received some 3.5% of the vote in the primaries.

ARGENTINA | ECONOMY

IMF, Eclac, World Bank disagree over forecasts

The International Monetary Fund (IMF) released its biannual World Economic Outlook report on 7 October in which it predicted that Argentina would grow by just 0.4% this year, and would contract by 0.7% in 2016. The forecast contrasts with that released by the United Nations Economic Commission for Latin America and the Caribbean (Eclac), which issued a report a day earlier estimating growth of 1.6% both this year and the next. The World Bank, meanwhile, believes that Argentina will grow 0.7% this year and 0.9% the next. Unsurprisingly, the government seized on the Eclac assessment and excoriated the IMF prediction.

The gloomy assessment in the IMF report was consonant with its forecast for the wider region. The Fund expects the region as a whole to shrink 0.3% this year, rather than grow 0.5% as previously predicted, largely due to a steep recession in Brazil and plunging commodity prices. If the prediction turns out to be correct, it would be the first recession for the region as a whole since 2009, but the Fund does expect Latin America to recover in 2016 and grow by 0.8%. Latin America's economy expanded 1.3% last year after slowing steadily from 6.1% in 2010.

Growth revisions for Latin America, part of its gloomier take on the global economy, were the sharpest for any region. Its new forecast for Brazil's 2015 recession (-3%) was double its previous view. "The downturn in Brazil was deeper than expected," the IMF said in its report. It warned of "significant negative spillovers" in the region. Analysts in Argentina largely agree that Brazil's recession will have negative consequences in the country due to the extensive trade links between both.

President Cristina Fernández, however, preferred to dwell on the Eclac assessment. Speaking at the opening of a new hospital in Buenos Aires province, accompanied by the presidential candidate Daniel Scioli, Fernández pointed to the forecast showing Argentina as "the only country in Latin America that will grow". She ignored the other scenarios claiming that (unspecified) "international agencies are now showing positive results [for the Argentine economy]."

Meanwhile, the economy minister, Axel Kicillof, addressed the gloomy forecasts head on. "I find the pessimistic scenario set out by the IMF for Argentina remarkable," he said. "I am surprised the Fund estimates such a poor economic performance given the good progress the economy has shown in the first nine months of the year." He went on to point out that "its estimates are similar to those estimated by a certain part of the political opposition".

Debt payment

On 5 October the Argentine central bank paid out US\$5.9bn to cancel the Boden 2015 bond series, which matured two days earlier. This was the largest debt payment in over a decade, since the government handed over US\$9.8bn to the IMF in 2005. Kicillof described the payment as "a final chapter in the long process of Argentina getting out of the red after decades of indebtedness and the default of 2001."

However, the payment has raised concerns that government foreign currency reserves are falling to dangerously low levels, possibly below US\$30bn. The economy ministry estimates that around half of the money disbursed will be re-invested in Argentina. Still, the government is now looking at ways of boosting its reserves, including the issuance of Bonar 2020 bonds and another currency swap with China.

Drug kingpins downed in double strike

In the space of 10 days Colombia's security forces have taken out two of the 'most wanted' drug traffickers in the country. Following an operation that successfully targeted Martín 'Pijarbey' Farfán Díaz, deemed to be the last kingpin in the eastern plains area, three different security forces combined to take out Víctor Ramón 'Megateo' Navarro Serrano, the leader of the remnants of the Ejército Popular de Liberación (EPL), in the Catatumbo area, a hotbed of violence and illegal activity bordering Venezuela. The security forces had closed in on the two men for several weeks although the timing of the strikes, just as Venezuela's President Nicolás Maduro has closed the shared border denouncing contraband smuggling by Colombian paramilitaries, served the purpose of refuting the claim that the Colombian authorities are not doing enough to combat this scourge.

'Pijarbey'

'Pijarbey' was the leader of 'Bloque Libertadores de Vichada', a splinter group of the Ejército Revolucionario Popular Anticomunista de Colombia (Erpac) which emerged after the demobilisation of the paramilitary Autodefensas Unidas de Colombia (AUC) in 2006. His 250-strong criminal gang controlled drug-trafficking routes through the south-eastern departments of Vichada, Meta and Guaviare into Venezuela and Brazil. Thanks to an alliance with Colombia's largest drug-trafficking organisation, Los Urabeños, or Clan Úsuga, 'Pijarbey' had gained ascendancy in a fierce struggle with the other Erpac offshoot, 'Bloque Meta', for control of the area, although this could profit from his demise.

'Pijarbey' was killed on 27 September during a dawn raid on his hideout in Vichada following months of investigations and surveillance. He had slipped the net before, narrowly escaping raids by the security forces (most recently in March 2013), suggesting he had been tipped off by corrupt officials in his pay.

'Megateo'

'Megateo' was just 15 when the EPL guerrillas, created in 1969, demobilised in 1991. He opted to fight on. About a decade later he rose to lead the remnants of the EPL that had been pushed back to the Catatumbo, an area located in the border department of Norte de Santander where he would alternately compete and cooperate with the Fuerzas Armadas Revolucionarias de Colombia (Farc) and the Ejército de Liberación Nacional (ELN) guerrillas. He also forged an alliance with the Urabeños, Mexico's Sinaloa gang and Venezuelan mafias, smuggling tonnes of cocaine across the Venezuelan border.

'Megateo' is believed to have controlled coca cultivation in Catatumbo, paying local families of *campesinos* relatively handsomely to supply his needs and to help shelter him: he survived 50 operations against him. The attorney general, Eduardo Montealegre, said 'Megateo' ran "a sophisticated organisation" adept at money laundering. The US, which put a Col\$20bn (US\$5m) reward on his head, estimated that he laundered at least Col\$12trn (US\$4bn) in recent years.

Some 350 members of the security forces had been pursuing 'Megateo' for several months and he narrowly escaped an operation against him on 16 August when several members of his security detail were killed. He was eventually killed, along with five bodyguards, on 2 October in what the defence minister, Luis Carlos Villegas, described as "one of the most successful undercover operations of recent years", carried out by police

Transitional justice

President Juan Manuel Santos indirectly responded this week to the demands of the prosecutor general, Alejandro Ordóñez, that the seminal transitional justice accord struck between the government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) on 23 September be published. Speaking at a forum on the post-conflict agenda, Santos said it would be published "as soon as the small print of some 75 points that still require greater precision are ironed out". Santos said it would be "irresponsible" to publish the details of the accord until it is "completely finalised".

Catatumbo

The Catatumbo will be one of the major areas in Colombia for post-conflict reconstruction if the peace accord being negotiated with the Farc in Cuba is successfully concluded next March. If the security forces are able to wrap up the EPL after the death of the group's leader 'Megateo', and the Farc is removed from the equation with a peace deal, two major players in the conflict-riven area would be removed. The security forces would then be able to apply intense pressure to the ELN and the Bacrim operating in the Catatumbo.

special forces (Dijin), the army and the air force. The army commander, General Alberto Mejía, said that the death of 'Megateo' was like "ending a myth". In this sense it resembled the previous most successful surgical strike by Colombia's combined security forces that killed the Farc's maximum leader 'Alfonso Cano' (Guillermo León Sáenz Vargas), in 2012: this finally put paid to the myth of invincibility of the Farc leadership.

President Juan Manuel Santos heralded "a blow that should really fill us with joy given the damage ['Megateo'] did, the way he controlled narco-trafficking, extortion and recruiting minors". Villegas said the death of 'Megateo' was "good news for the country, the hemisphere, for Venezuela and above all, the people of Catatumbo". Villegas made the comments in Santa Marta in the Colombian department of Magdalena where, pointedly, he had just met his Venezuelan peer, Vladimir Padrino López.

Some 300,000 people live in the 11 municipalities covering 10,089km² that comprise Catatumbo, many dependent on coca cultivation to subsist, according to the Asociación Campesina del Catatumbo (Ascamcat). While the death of 'Megateo' will shake things up, the drug trade will continue to flourish in Catatumbo given the presence of so many other illegal armed groups and the proximity of the Venezuelan border. 'David León' (Guillermo León Aguirre) is being tipped by the military as the most likely successor to 'Megateo' at the head of the EPL, but it is a moot point whether he shares the latter's skill to survive as a broker for the other criminal armed groups in the area.

Operating in Catatumbo are the 33rd front of the Farc commanded by 'Rubén Zamora' (Emiro del Carmen Roperó Suárez), who claims that the Farc imposes a tax on the drug trade rather than actively trafficking; the ELN's 'Camilo Torres' front; the Urabeños; and other emerging criminal groups (Bacrim) such as the Rastrojos and Águilas Negras. With an unofficial 'truce' in place with the Farc, the security forces will now focus their attention in Catatumbo on trying to dismantle the EPL.

Kingpins still at large

The death of 'Megateo' means that the main drug kingpins on the 'most wanted' list in Colombia now are the leaders of the Urabeños: Dairo Antonio 'Otoniel' Usuga David, based in the Urabá region of the northern department of Antioquia, and Roberto 'Gavilán' Vargas Gutiérrez, based in the adjacent department of Chocó. According to intelligence reports the Urabeños have some 2,970 armed members. The group is believed to operate in 146 municipalities in 13 departments, mainly in Antioquia, Chocó and Córdoba.

The police have been carrying out 'Operation Agamemnon' against the Urabeños since February this year and there are signs that the net is tightening on the group's leaders. Two bodyguards of 'Otoniel' were killed on 12 September in an operation in Urabá near a house where he had been staying: a USB stick with details of the group was taken along with a cache of weapons.

'Megateo' model

The vast resources required to take out 'Megateo' provide a salutary warning for the government. A former member of a guerrilla group who refused to demobilise, 'Megateo' could provide a model for Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas who opt against disarming if the current peace process in Cuba reaches a successful conclusion.

On a more positive note, it could be argued that peace with the Farc would leave the security forces less stretched and able to devote greater energy into targeting criminal gangs linked to drug trafficking and extortion. It could even be argued, with the successful targeting of 'Pijarbey' and 'Megateo', that this is starting to happen. A report published last week by the Centro de Recursos para el Análisis de los Conflictos (Cerac) noted that since the start of the Farc's unilateral ceasefire on 20 July, and the subsequent fall in intensity of operations by the armed forces, violence has fallen to levels not seen in Colombia since 1975.

Lifting the lid on an empty barrel

Venezuela is setting records for all the wrong reasons, with the worst macroeconomic forecasts of any country in the world, on the latest International Monetary Fund (IMF) projections.

‘No news is good news’ appears to be the current motto in Venezuela when it comes to the publication of macroeconomic data. The central bank (BCV) has not released inflation data since February, or balance of payments data since the third quarter of 2014, and not even a legal suit filed with the supreme court (TSJ) in August succeeded in getting any information out of it. Juan Cristóbal Nagel (formerly editor of the *Caracas Chronicles* blog and economics professor at Universidad de los Andes in Chile) has quipped that trying to examine the Venezuelan economy is like “looking into a black box”.

While the government led by President Nicolás Maduro might be able to use local institutions like the TSJ to shield data from prying eyes at home, it has no choice but to report periodically to the US Securities and Exchange Commission (SEC), as per its obligations as an issuer of US-dollar denominated bonds. It recently had to make such a filing with the SEC, which, in the complete absence of BCV data, was quickly picked up by news outlets including *Reuters*. According to the filing, as cited by *Reuters*, real GDP contracted by 4% year-on-year in 2014, a full percentage point more than previously suggested by the BCV. However a footnote suggesting that the figures were for 2014, “where available”, led to some confusion as to whether they were partial or full year – a quick glance at the BCV website confirms that the -4% figure appears to correspond to the first three quarters only – as fourth quarter data is not available.

Also laid bare was the cash crisis facing the petro state, where oil export revenues typically account for 96 of every 100 US dollars entering the country. Imports were reported as US\$32.2bn in the first three quarters of 2014, down 20% year-on-year; while export earnings fell by 10% to US\$60.5bn in the same period. Again, that is not new data; no new balance of payments data has been available on the BCV website for almost a year now – hardly a surprise, since the real fall in oil prices, and thus the real deterioration in Venezuela’s external accounts, only happened after June 2014 and thus will only be reflected in BOP data from Q4 2014 onwards.

More notably however, the Maduro government confirmed that China and Venezuela had signed oil-backed loans totalling over US\$55bn since 2007, with US\$15bn agreed this year alone. “The Republic agreed a U.S.\$10.0 billion loan with China in March 2015, and a further U.S.\$5.0 billion loan with China in September 2015,” *Reuters* quoted from the filing on 1 October.

The next day (2 October), new inflation data was cited by the local daily *El Nacional*, apparently leaked by a source at the BCV. According to this source, inflation in September was 16.9% month-on-month and 179.5% year-on-year, the highest since March 1989 (when monthly inflation was reported as 21.7%). Accumulated year-to-date inflation was put at 142%, meaning monthly inflation of about 16%, on average, in the first nine months of 2015.

Henrique Capriles Radonski, the opposition governor of the populous state of Miranda (surrounding the capital Caracas), used the *El Nacional* report to try to re-focus attention on the country’s economic crisis ahead of legislative elections on 6 December. “We have the highest inflation in the world...this is the consequence of a failed economic model,” Capriles tweeted on 4 October. Capriles also suggested that scarcity levels had reached 40% (without citing a source). “Maduro victorious? Where? Inflation 150%. Scarcity 40%, violence,

Unemployment

The IMF also projects a steep increase in unemployment in Venezuela to 14% this year, from an estimated 8% last year, rising to 18.1% in 2016. According to Oscar Schémel, head of the polling firm Hinterlaces, the state of the economy, along with citizen insecurity, are the top voter concerns of the country’s key mid-term legislative elections on 6 December.

Foreign exchange

The parallel foreign exchange rate breached BF800/US\$1 in early October, according to websites that publish it, four times the official free-floating Simadi rate, which trades at about BF200/US\$1. The domestic money supply is out of control and this, more than any 'economic war' by smugglers and currency speculators, is a root cause of inflation. The central bank printing presses will remain in action ahead of the election. Typically afterwards, the government decrees a painful currency devaluation in order to right its fiscal position, in the process forcing yet another painful period of inflation. There is some suggestion of currency unification next year, potentially towards one fixed and one free-floating rate, rather than the three existing rates (or four, including the parallel rate).

25,000 homicides, poverty increasing and reaching the worst figures in our history," he complained.

The outlook – more of the same

Venezuela is in "deep recession" and will register an average annual GDP contraction of 8% in 2015-2016, according to the (IMF)'s latest World Economic Outlook (WEO), released on 6 October. The Fund now forecasts a GDP result of -10% this year and -6% next year, noting that the fall in international oil prices since June 2014 has "exacerbated domestic macroeconomic imbalances and balance of payments pressures".

The Fund's latest inflation forecasts are equally eye-watering. It now projects average inflation of 159.1% in 2015 and 204% in 2016. Economists differ as to what constitutes hyperinflation – one measure is sustained monthly inflation in excess of 50%, for example. So, while technically speaking Venezuela may not be in hyperinflationary territory, on the ground prices are anything but predictable. Meanwhile, the current account deficit is projected at 3% of GDP this year, improving to 1.9% of GDP next year as oil prices begin to recover slowly and imports are held at minimal levels. This is in a country accustomed to running sizeable current account surpluses, however. And finally, private analysts put the fiscal deficit at about 17% of GDP this year.

With international oil prices set for only moderate recovery in 2016, the recession will not abate until 2017. The US Energy Information Administration now expects West Texas Intermediate (WTI), the reference oil barrel for Venezuela, to average just US\$53.57/b in 2016, citing "significant uncertainties as the oil market moves towards balance". Among these it specifically notes the re-entry onto global markets of Iranian oil, which will weigh on prices.

In a recent note to clients, Barclays Bank forecast an annual GDP contraction of 9.1% in Venezuela this year, making the point that accumulated inflation over the 2014-2016 period could exceed 1,000%. "It is impossible to understand why the government is not reacting to this reality, why it has not taken measures to alleviate the economic distortions that are destroying the real income of Venezuelans," the bank said, adding that "all the main political actors appear to be thinking only of the near term, and there is no clarity about what they will do after the elections, leaving a very uncertain scenario for 2016".

Barclays noted that rather than taking painful fiscal measures, the Maduro administration is selling off liquid assets in order to maintain an "extremely inefficient" exchange rate system and keep current on its debt obligations. The bank suggested that the government would likely have enough funds to pay its debt commitments through the first quarter of 2016, amid a moderate increase in oil prices and further cuts to imports.

To default or not, a moral dilemma?

In meetings with bondholders in New York in early October, Finance Minister Rodolfo Marco Torres and his team reportedly insisted that debt-servicing remained "a priority" for the Maduro government. "[They were] very light on details and heavy on reassurances that servicing debt is a priority", an attendee told journalists. Venezuela has some US\$5.6bn falling due in the next three months, including sovereign debt and debt held by the state-owned oil firm, Pdvsa, plus US\$10bn in 2016. The Harvard professor, Ricardo Hausmann, who last year said there were "no moral grounds" for Venezuela to continue honouring its debt amid shortages of everything from medicine to toilet paper in the country, in July suggested that the Maduro government would "stumble into default" in 2016. "It's not that the government will plan to default. I think they will just stumble into one. They may get over the October payments but nobody's thinking they'll get over the 2016 payments," Hausmann told *Bloomberg*, reiterating that "it is a completely unsustainable situation". Venezuelan central bank (BCV) foreign currency reserves remain critically low, at US\$16.1bn on 5 October.

Where is the anti-establishment candidate?

It is still fairly early days for the Peruvian presidential elections, which are due in April 2016. The main likely candidates are known, although many have yet to declare their hand formally (one who has just done so is two-time former president Alan García [1985-1990; 2006-2011], who on 5 October said he would seek his party's nomination). At this stage, one interesting feature is that all the main candidates appear to be advocating pro-market economic policies, and are all talking up their commitment to prudence and to fiscal responsibility. Is there no room for an anti-establishment figure?

Peruvian opinion polls continue to identify three frontrunners. A poll by Datum for newspaper *Perú21* on 5 October put Keiko Fujimori of Fuerza Popular (FP) in the lead with 36% support, followed by Pedro Pablo Kuczynski of Peruanos Por el Cambio (PPK) with 16%, and García of the Partido Aprista Peruano (PAP) on 7%. While at this stage there are many other candidates, they are all getting levels of support in the low and very low single digits. Between them, the three frontrunners have under 60% of voter intentions.

Speaking to this publication last week a Peruvian businessman described the country's future as a "wide highway of macro-economic stability". As he put it "Keiko, Pedro Pablo, and Alan may position themselves marginally to the right or to the left of each other, but the fact is that they are all on the same highway, and travelling in the same direction." His analysis was that after the deep socio-political conflicts of the 1970s, 1980s, and 1990s – everything from guerrilla wars to hyperinflation – the Peruvian electorate has enjoyed a decade long commodity-led economic boom, and although times are now somewhat harder, it wants growth and low inflation to continue.

Not everyone shares this view of course, but it led to some interesting observations. One riposte from a local analyst was "he may be right, but if there is such a highway, the problem is that it is full of bumps and potholes and is badly needing repairs". Corruption, crime, and weak institutions were mentioned as some of the larger bumps along the way.

Another pointed out a paradox. Peru has undoubtedly had a decade-long economic boom, bringing with it a new aspirational middle class. The poverty rate has more than halved over the last decade from 56% of the population to 22% now. But that transformation has not really ushered in consensus politics. On the contrary, the last decade has seen sometimes intense and violent protests over the environmental and community-level disruption caused by large mining and hydrocarbons projects. The most recent of these came in late September when four people were killed in a protest over the Chinese-owned Las Bambas mining project in the central highland region of Apurímac [WR-15-39]. As recently as 2011, of course, incumbent President Ollanta Humala himself fought and won national elections as an anti-establishment candidate (albeit a more toned down version of his 2006 self) only to swing back to the centre-ground when he took office.

One potential explanation – and a pointer for the next elections – is geography. For the new middle class residents of Lima and other urban centres, environmental concerns may be acknowledged but are subordinated to development priorities. This constituency unquestionably wants the US\$10bn Las Bambas project, expected to add 1.4 percentage points to GDP growth, to go ahead.

“Speaking to this publication last week a Peruvian businessman described the country's future as a “wide highway of macro-economic stability”. As he put it “Keiko, Pedro Pablo, and Alan may position themselves marginally to the right or to the left of each other, but the fact is that they are all on the same highway, and travelling in the same direction.””

Inflation creeps up in Colombia

On 5 October

Colombia's central bank (Banrep) released its latest inflation figures.

Banrep reported that inflation in September reached 0.72%, higher than anticipated and taking the cumulative inflation rate for the past 12 months to 5.35%, above Banrep's target range of 2%-4%.

Following the release of the figures, Banrep recognised that with the cumulative inflation in the first nine months of the year having reached 4.76% it was unlikely that year-end inflation would fall back within its target range. Last year cumulative inflation was 3.66%, nudging the top end of Banrep's target range. Since then inflationary pressures have continued.

According to the Instituto Peruano de Economía (IPE) there are a further US\$21.5bn worth of mining projects that have been delayed. An opinion poll by GfK has indicated that 52% of respondents blame local communities for holding up these projects. Yet others point out that if local communities, particularly in poorer areas, have not received the benefits of economic growth, they have much less incentive to accommodate the disruptive needs of mining projects. "Community protests against extractive projects are often absolutely rational, because their access to water or other aspects of their rural economy are being put at risk," says one analyst, who adds that mining companies have often tried to ride roughshod over local objections, or been very poor negotiators.

While the 2016 elections so far lack a powerful anti-establishment candidate, the national average of just under 60% for the three establishment frontrunners drops much lower outside Lima. Those protesting at Las Bambas are not represented by any of the mainstream presidential candidates.

The editor of a financial publication in Lima makes a further point. Peruvian politics remains very strongly personality based, he says, and the parties are weak. He fears that an outbreak of populism – perhaps if there is strong weather disruption with the 2015-2016 El Niño cycle – cannot be ruled out. He notes that the expected heavy rains and floods of El Niño will coincide with an election year, something that has never happened before in Peru, and he fears that it could prompt some of the leading candidates to drive well off the fiscal responsibility highway. Alternatively it could pave the way for a *bona fide* anti-establishment figure to emerge.

TRACKING TRENDS

ECUADOR | Expecting negligible 2015 growth. The economy grew by just 1% year-on-year in the second quarter, Ecuador's central bank (BCE) reported on 30 September. This is the weakest quarterly result for the country since 2007. A 0.3% quarter-on-quarter contraction compared to the first quarter of the year led the BCE to revise down its economic growth forecast for the year (made in June) from 1.9% to a negligible 0.4%. This latest forecast contrasts starkly with the 3.7% growth rate Ecuador posted in 2014 and shows to what extent the dollarised economy has been affected by the fall in international oil prices and the rapid appreciation of the US dollar this year.

Yet government officials including President Rafael Correa have sought to put a positive spin on the disappointing figures. Diego Martínez, the BCE president, said that although it is clear that Ecuador's economy is experiencing a marked slowdown, it continues to grow, posting positive year-on-year growth figures for the past 22 consecutive quarters. Martínez also said that the quarterly contraction was fully explained by the 4.3% year-on-year fall in activity in the oil sector. Martínez pointed out that activity in the non-oil sector increased by 2.4% in the second quarter on the back of increased household consumption, government spending and exports.

In his weekly TV and radio broadcast on 3 October President Correa admitted that while 2015 is proving to be a "very difficult" economic year for Ecuador, the country would post positive economic growth this year as opposed to some other regional economies, such as Brazil, which are expected to contract. Correa said that the 0.4% growth projection at this point is even better than the regional average, now that the United Nations Economic Commission for Latin America and the Caribbean (Eclac) has said that it expects the region will contract by -0.3% this year. Correa was also adamant that his government would ensure that the poor economic results do not affect Ecuador's poor. "We have been creating mechanisms all these years to make sure that our economic difficulties (...) do not affect the large majority," Correa said.

From Tlatelolco to Ayotzinapa

Withering assessments of the state of human rights in Mexico by international bodies are starting to become commonplace, but while Mexicans are becoming inured to the abuses, the Mexican government led by President Enrique Peña Nieto continues to smart at the reports. This week was the turn of the Inter-American Commission on Human Rights (IACHR), which conducted a five-day visit to Mexico that concluded, symbolically, on the 47th anniversary of the 'Tlatelolco massacre'. The IACHR argued that the same impunity that reigned then still prevails and that human rights violations in Mexico are a "structural" problem.

The president of the IACHR, Rose-Marie Belle Antoine, led a 20-strong delegation to Mexico. It visited Mexico City, and the states of Coahuila, Guerrero, Nuevo León, Tabasco, and Veracruz to meet representatives of government, civil society and academia, as well as journalists and victims of human rights violations and their families, notably the relatives of the 43 students from the Ayotzinapa teacher training college who disappeared in Iguala, Guerrero state, in September last year.

On 2 October, the same day that some 20,000 people staged a march in Mexico City to the national palace under the heading 'from Tlatelolco to Ayotzinapa: 47 years of fighting impunity', Belle Antoine presented her team's initial findings. She said that "the magnitude of the problem of disappeared persons" in the country was "alarming" and that the "tragedy" of the 43 Ayotzinapa students was not "an isolated tragedy, but rather part of a pattern of human rights violations that have occurred for decades".

The deputy minister for human rights at the interior ministry (Segob), Roberto Campa Cifrián, gave a defensive response. While recognising that Mexico faces human rights challenges, Campa insisted that events in Iguala were "extraordinary" and rejected that a preliminary report "carried out in five days" visiting "specific areas where we know there are enormous challenges" could apply this to "reflect the general situation in the country". Campa said that there was no reference in the report of the advances being made by the government to improve the current situation and added that "we trust that the final report that is presented [in the first half of 2016] reflects the full situation in our country".

Campa's response was identical to that directed at the United Nations special rapporteur on torture, Juan Méndez, earlier this year [WR-15-10]. Then Campa took exception to the use of the word 'generalised' by Méndez who after a fact-finding mission to Mexico reported that "torture and ill treatment in the moments after detention and before individuals are handed over to the judiciary is generalised in Mexico and occurs within a context of impunity".

Perhaps the government expected a more glowing report from the IACHR about its efforts to address myriad shortcomings in the area of human rights having invited it to send a team to visit and stumped up around US\$2m to absorb the costs of the IACHR-appointed interdisciplinary group of independent experts (GIEI), which released a report on 6 September after six months of investigations into the Iguala tragedy exposing serious flaws in the federal attorney general's office (PGR) own investigations.

The IACHR did single out some progress by the government in its initial findings and the body's special rapporteur for freedom of expression, Edison Lanza, highlighted laws such as that designed to protect human rights defenders and journalists, approved in 2012. But overall the IACHR did not pull any punches. In addition to urging the PGR to implement the GIEI's

OAS praise for Mexico

Shortly after Mexico's aggrieved response to the initial findings of the Inter-American Commission on Human Rights (IACHR), the secretary general of the Organization of American States (OAS), Luis Almagro, praised the Mexican government for its "openness and transparency" in receiving the IACHR, an autonomous organ in the OAS. Almagro added that a government was free to disagree with the IACHR's findings but "the important thing is that the Commission can work with full guarantees, something which Mexico has provided at all times".

Massieu meets Kerry

Just days after Mexico extradited 13 criminals to the US, Mexico's foreign minister, Claudia Ruiz Massieu, met her US peer, John Kerry, for the first time since assuming her position on 27 August, on the margins of the United Nations General Assembly. Ruiz Massieu and Kerry discussed security matters as well as immigration and shared interests in boosting trade and prosperity.

recommendations, the IACHR reported that its visit had confirmed "a situation of extreme insecurity and violence; serious human rights violations, especially enforced disappearances, extrajudicial executions, and torture; critical levels of impunity; and inadequate and insufficient attention to victims and their families". It cited "an alarming number of criminal proceedings that have remained stagnant for years" and "the infiltration by groups of organised crime in many police bodies, especially at the municipal level, as well as in agencies of the justice system".

The IACHR also recommended, inter alia, the phased removal of the armed forces from public security duties to be replaced by the police (something Peña Nieto had promised to do during his election campaign through the creation of a national gendarmerie, which was eventually launched as a mere appendage of the federal police); enhanced mechanisms to immediately search for disappeared people; an improved national registry of disappeared people; and to refrain from immediately prejudging the legality of actions by the security forces before the results of an investigation are available.

MEXICO | SECURITY & DIPLOMACY

Healing rift with US after 'El Chapo' flight

The Mexican government extradited 13 high-profile criminals to the US on 30 September. It marked a significant change to the extradition policy introduced by President Enrique Peña Nieto upon taking office in December 2012. The interior minister, Miguel Angel Osorio Chong, insisted that there was nothing exceptional about the 13 extraditions to the US, saying that there have been 49 since Peña Nieto came to power and there would most likely be more. But this seemed disingenuous given exactly who was extradited and when. Senior US officials struggled to conceal their dismay after the escape of the drug kingpin, Joaquín 'El Chapo' Guzmán Loera, from a Mexican maximum security prison last July having been rebuffed when seeking his extradition. This gesture served as an antidote to their pain.

The most widely reported extraditees were the Texas-born Édgar 'La Barbie' Valdez, who was arrested in 2010 shortly after rising to the top of the Beltrán Leyva drug trafficking organisation (DTO), and Jorge Eduardo 'El Coss' Costilla, the former leader of the Golfo DTO. While these men had been wanted by the US for several years to face criminal charges of drug trafficking and money laundering, the identity of some of those sent northwards with them lends credence to the suggestion that there was an ulterior motive behind their extradition. In essence, Mexico was trying to propitiate the US after 'El Chapo', the leader of the Sinaloa DTO, made good his escape, to restore faith in Mexico as a reliable partner and get bilateral security cooperation back on track.

The Mexican government also extradited Luis 'Pack' Humberto Hernández, Alberto 'Fresa' Nuñez Payan and Ricardo 'Chino' Valles de la Rosa, all hitmen from the Mexican-US gang Barrio Azteca suspected of taking part in the murders of a US consulate official and two other US citizens in Ciudad Juárez, Chihuahua state, in 2010. Another prisoner to be extradited was José Emanuel García Sota who has been charged in the US with the 2011 murder of a US Immigration and Customs Enforcement (ICE) agent, Jaime Zapata, in the state of San Luis Potosí.

The extraditions were also eye-catching because President Peña Nieto had discontinued the practice of his predecessor, Felipe Calderón (2006-2012), of extraditing nationals before they have concluded their sentences in Mexico. His government's decision to reintroduce this practice looked like another overture to the US. It was also noteworthy that all of those extradited were being held in the same maximum security prison in the Estado de México from which 'El Chapo' escaped ('La Barbie' was in the cell next to 'El Chapo'), perhaps suggesting concern about another breakout.

Cameron's forebears

Prime Minister David Cameron's apparent familial ties to the slave trade were widely reported during his visit to Jamaica. Sir Hilary Beckles, the chairman of Caricom's reparations commission, made a clear reference to this by ostensibly praising Cameron as "more than a prime minister", before adding "You are a grandson of the Jamaican soil who has been privileged and enriched by your forebears' sins of the enslavement of our ancestors. You are, Sir, a prized product of this land and the bonanza benefits reaped by your family and inherited by you continue to bind us together like birds of a feather". In 1833 when the slave trade was abolished, a British army officer, General Sir James Duff, was compensated £4,101 (some £3m today) for 202 slaves on the Grange Sugar Estate in Jamaica. Duff would be Cameron's first cousin six times removed.

CENTRAL AMERICA & CARIBBEAN

JAMAICA | POLITICS & DIPLOMACY

Cameron sidesteps reparations issue

David Cameron last week became the first prime minister of the United Kingdom to visit Jamaica in 14 years. He came bearing gifts, albeit one of them, money towards the construction of a prison, was far from altruistic. Yet while Cameron was received on his arrival in Kingston with a rousing rendition of the British national anthem on 29 September no sooner had the strains of 'God Save the Queen' died away in the air than his Jamaican peer, Portia Simpson-Miller, pressed him for a far larger gift – reparations for slavery. Cameron ducked the issue at the time but as it overshadowed much of his trip, he broached it in his address to Jamaica's parliament. He acknowledged to assembled members of parliament (MPs) that "the wounds [of slavery] run very deep indeed", but he was adamant that the focus must be on the future and not the past.

Prime Minister Cameron announced £300m (US\$455m) for infrastructure projects for the wider English-speaking Caribbean, with Jamaica one of the main beneficiaries, to help spur economic growth and development. This is designed to strengthen bonds with the sub-region after years of perceived neglect have allowed China to use its economic largesse to extend its geopolitical influence here. Cameron also pledged £25m (US\$38m) towards a new Jamaican prison. Jamaica's prisons are notoriously overcrowded and poorly maintained but Cameron had a significant ulterior motive: the new prison would house 300 Jamaican inmates who would be repatriated from British prisons.

Prime Minister Simpson-Miller expressed her appreciation for the infrastructure aid and accepted the prison 'gift' and its conditions with good grace but she raised the issue of reparations during a private talk with Cameron shortly after his arrival and then in a public address alongside her British peer afterwards. Cameron kept his own counsel on the issue at the time but as it dominated the domestic media coverage, during his stay he cautiously touched upon it during his parliamentary address.

"Slavery was and is abhorrent in all its forms. It has no place whatsoever in any civilised society, and Britain is proud to have eventually led the way in its abolition", Cameron said. "That the Caribbean has emerged from the long shadow it cast is testament to the resilience and spirit of its people...But I do hope that, as friends who have gone through so much together since those darkest of times, we can move on from this painful legacy and continue to build for the future".

In other words, he echoed the comments of his French counterpart, François Hollande, during a visit to Haiti last May. Hollande also recognised France's "huge moral debt" to its former colony but eschewed the suggestion that this imposed a financial obligation on the country to atone for past sins. Hollande spoke of the need to move on from "a painful past", saying "we cannot change history but we can change the future" by helping with Haiti's economic development. France had actually saddled Haiti with crippling 'compensation payments' to plantation owners for the loss of their 'property' by means of gunboat diplomacy some 20 years after it declared independence in 1804. This heavy burden was not finally settled until 1947 and contributed in no small part to Haiti's underdevelopment and failure to thrive as the world's first Black Republic.

Simpson-Miller stressed that Jamaica would seek to "engage the UK" on the matter of reparations "under the auspices of the Caribbean Community [Caricom]". Sir Hilary Beckles, the chairman of Caricom's reparations commission and vice-chancellor of the University of the West Indies, wrote

Corbyn on Jamaica

The 4 October editorial in the *Jamaica Gleaner* warned Jamaicans to “get accustomed to [Prime Minister] Cameron and his ilk, as the British Labour Party has been readying itself to become a permanent Opposition. Their new leader, Jeremy Corbyn, seems to have smoked something unusually powerful during his time in Jamaica, for while his spirit seems priestlike and righteously intact, his political judgement is seriously flawed”. Corbyn, who spent two years doing voluntary service overseas in Jamaica in the late 1960s after leaving school at 18, said the United Kingdom should work to improve trade relations to acknowledge its historic debt to Jamaica and issue an apology for its “brutal” involvement in the slave trade and “gross exploitation of people”. But Corbyn fell short of endorsing reparations.

an open letter in the *Jamaica Observer* just prior to Cameron’s visit. Arguing that slavery bequeathed prosperity to Britain but penury to Jamaica, Beckles called for “reparatory justice that will enable your nation to play its part in cleaning up this monumental mess of Empire”. Beckles argued that “the legacies of slavery...continue to derail, undermine and haunt our best efforts at sustainable economic development and the psychological and cultural rehabilitation of our people from the ravishes of the crimes against humanity committed by your British State and its citizens in the form of chattel slavery and native genocide”.

Former Jamaican prime minister Bruce Golding (2007-2011), meanwhile, took issue with the prison ‘gift’. He questioned why the Jamaican government had not said to Cameron “We’re glad for the £25m. Now, how much a month are you going pay for the boarding of these prisoners that you send ...? Because they didn’t commit no crime in Jamaica; they weren’t convicted in Jamaica”. An editorial in the *Jamaica Gleaner*, published on 4 October (see sidebar), concurred that “the ‘gift’ has a spin and a stink on it”, contending that Cameron is “playing a political game back in Britain”. But it also said it failed to see the sense “in being so righteously indignant about human maltreatment, suffering and deprivation two centuries ago that we miss the opportunity to do something about the guys down the road, right now, living in slave barracks, six men in a cell built for two”.

EL SALVADOR | POLITICS & SECURITY

Violence dominates politico-economic agenda

All political and economic developments in El Salvador right now are either directly related to or indirectly coloured by the country’s traumatic levels of violence. The big economic story, for instance, is the government’s attempt to push a new tax on telecommunications through the legislative assembly. Its purpose? To fund the government’s public security initiative and, more crudely, its war on the *mara* street gangs. The director of the supreme court’s institute of legal medicine (IML), Miguel Fortín Magaña, claimed this week that the scale of violence is “unprecedented” in El Salvador and that this year would be the most violent “since reliable figures became available”. In a week during which four bus company employees were murdered and a police officer decapitated, peace seems a distant prospect.

There have been more than 4,942 murders in the first nine months of the year according to the IML (5,015 according to the national police [PNC]). Even the IML’s slightly lower figure is 72% higher than in the comparable period in 2014. Indeed it is even up by 26% on the figure for the whole of 2014 and up by 13% for the whole of 2009, when El Salvador was deemed the most violent country in the world.

The PNC, despite a slightly higher tally, tried to put a more positive spin on the figures. It pointed out that although there were as many as 677 murders in September, this was down on the 919 murders in August. This provides scant cause for comfort, however, as the August figure, even by El Salvador’s standards this year, was anomalously high.

The government led by President Salvador Sánchez Céren is outwardly sanguine about the bloody backdrop. It expects the murder rate to remain high throughout 2016, if a candid interview granted by the communications minister, Eugenio Chicas, to the country’s online publication *El Faro* on 8 September is anything to go by. “A confrontation with criminality at this time will generate what is happening: many victims”, Chicas said. “We regret this but we think that this is the only way and this is our strategy”, he added.

The government believes that its ‘strategy’ of applying unrelenting pressure to the *mara* gangs has the full support of a public weary of being subjected to the reign of violence and criminal extortion imposed by the gangs in their

Budget

El Salvador's opposition parties led by the right-wing Alianza Republicana Nacionalista (Arena) rejected the government's telecommunications tax but criticised the government's US\$4.86bn budget proposal for 2016, presented by Finance Minister Carlos Cáceres last week, because it only assigned US\$442.3m for public security, up by 4.6% on this year's budget. Arena also complained that the budget was based on GDP growth of 2.9% in 2016 which, it argued, was unlikely to be achieved.

areas of influence. This does not translate, however, into a readiness to provide the government with more funds to roll out its 'El Salvador Seguro' initiative via a 10% tax on mobile phone, Internet service and cable bills, which is highly unpopular. As such the political opposition has blocked a bill to this effect in the national legislative assembly despite the government's promise that the telecommunications regulator (Siget) would lower the rates that phone companies can charge by 13.9%, which would mean that they, and not the public, would effectively absorb the burden of the new tax.

The finance and security ministers, Carlos Cáceres and Benito Lara respectively, appeared before the legislative assembly on 5 October to urge deputies to reach a consensus "quickly" on the 'special contribution tax'. The technical secretary to the presidency, Roberto Lorenzana, argued that funding public security "should be a priority" with "everyone contributing: society, the government and the private sector".

While the debate has been raging among deputies, the violence continues unabated. Early on 5 October three drivers of *colectivo* minibuses and a conductor were murdered in the municipality of Mejicanos in greater San Salvador after masked members of the *mara* gang Barrio 18, wearing uniforms similar to the military, broke down the door of their house with a sledgehammer. The following day the head of a police officer was found alongside his national identification card by a bridge in greater San Salvador.

Mara gangs have long targeted bus drivers; seven of them were infamously killed during the murderous 'boycott' last July enforced by the Revolucionarios faction of Barrio 18. Bus companies stump up between 10% and 25% of their monthly income to meet gang extortion demands. Targeting the police is a much more recent tactic: 52 police officers have been killed so far this year, up from 39 in the whole of 2014.

TRACKING TRENDS

NICARAGUA | 'Gran Canal' carries on despite major investor's woes. On 2 October the spokesman of Nicaragua's 'Gran Canal' commission, Telémaco Talavera, said in a press conference that the inter-oceanic canal project will continue to be developed as planned despite media reports that the main investor in the project, Chinese billionaire Wang Jing, had lost most of his fortune in the stock market. According to reports by the financial newswire *Bloomberg*, Jing has lost 84% of the US\$10.2bn fortune he had back in June due to the Chinese stock market crash, with his net worth currently standing at US\$1.1bn.

The reports immediately sparked concerns among analysts as to whether Jing's Hong Kong Nicaragua Canal Development (HKND) group, which has been given a concession to build and operate the US\$50bn project by the Nicaraguan government, could now carry on with it. However, Talavera sought to dismiss these doubts, stating that "The project continues to move along in completely normal fashion, the canal moves forward".

Talavera went on to maintain that independently of Jing's financial situation, the Gran Canal was generating "sufficient demand" in order to get the necessary international funding, pointing out that US, European, and Australian companies have shown some interest in the project.

The 276km project, three times larger than the Panama Canal, has a billed completion date of 2019. According to Nicaragua's central bank, construction of the Gran Canal will create approximately 50,000 jobs and double the country's GDP.

HONDURAS | Positive second IMF review. On 5 October a mission from the International Monetary Fund (IMF) concluded its second visit to Honduras this year following the signing of a standby agreement in 2014. In a statement the head of the IMF mission, Roberto García-Saltos, said that the mission was satisfied that the government led by President Juan Orlando Hernández has been honouring the agreement and "taken appropriate economic policy decisions in the last 22 months". García-Saltos said that thanks to this, Honduras's economic outlook was "positive" with growth forecasts of 3.5% for this year and of 3.6% for 2016.

Quotes of the week

“It’s not acceptable that we have Norway in the municipality of San Pedro and Africa in San Bernabé just eight kilometres apart.”

Mexico’s new governor of Nuevo León, Jaime ‘El Bronco’ Rodríguez.

“The idea that the daughter of the dictator is first in all of the polls is very disturbing because there is a large section of Peruvians that seem to have forgotten that [Alberto] Fujimori led one of the bloodiest and most corrupt dictatorships.”

Peru’s Nobel literature laureate, Mario Vargas Llosa, on the presidential frontrunner, Keiko Fujimori.

“Brazilian democracy is strong enough to prevent attempts at a coup d’etat.”

Brazil’s President Dilma Rousseff.

Tomado carries Mexico’s first independent governor to office

Jaime ‘El Bronco’ Rodríguez rode into Monterrey, the capital of Mexico’s Nuevo León state, at the head of some 1,500 riders to be sworn-in as the new governor on 4 October. The first independent to reach the position of governor in Mexico’s history, Rodríguez thanked his mother and his steed ‘Tornado’. He promised that, with no partisan interests, he would exclusively serve the people; tackle poverty head on; and root out corruption in government. There is great uncertainty about what he will be able to deliver as governor and what his victory might mean in the wider context of Mexican politics.

Rodríguez said that his main priority would be “to build the biggest bridge in the world... between the poor and the rich”. He said that wealthy areas were juxtaposed with impoverished neighbourhoods in Nuevo León, an industrial powerhouse with 4.6m inhabitants. Rodríguez has not given precise details of the materials he intends to use to erect his bridge, but he did say that his government would not carry out any new public works for six months while consulting teachers about what is most needed to rebuild the social fabric of the state.

Rodríguez said he would move swiftly to cut back bureaucracy, starting with the 86,000-strong government workforce. “There will be a purge”, he said, denouncing widespread sinecures. He also reiterated his promise of a probe into the administration of his predecessor Rodrigo Medina, of the Partido Revolucionario Institucional (PRI), under whom the state debt spiralled.

There is a genuine fear among established political parties that Rodríguez could pave the way for a new politics, eroding their power and influence by capitalising on voter disenchantment with the current system. But he will face serious constraints. The state congress, for instance, is controlled by the PRI and the Partido Acción Nacional (PAN), with 37 of 42 seats, so if he wants his social initiatives to prosper he will need to reach an accommodation with these parties.

At a national level could others emulate the model of an anti-system candidate using social networks to ride to power? Much could hinge on how Rodríguez performs, but the response of the twice presidential candidate Andrés Manuel López Obrador suggests that he is deeply concerned by the threat that independent candidates could pose. López Obrador branded Rodríguez an imposter and part of a cunning new ploy by the PRI (to which Rodríguez belonged for 30 years) to regain its hegemony and to block his third bid for the presidency in 2018.

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LATIN AMERICAN WEEKLY REPORT is published weekly (50 issues a year) by **Latin American Newsletters**, Hamilton House, Fourth Floor, Mabledon Place, London, WC1H 9BB, England. Telephone +44 (0)203 695 2790, Email: subs@latinnews.com or visit our website at: <http://www.latinnews.com>

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