

# latin american weekly report

21 January 2016, WR-16-03

ISSN 0143-5280

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

*Latin American Newsletters since 1967*

## Major advance in Farc talks but funding peace raises concerns

“A gigantic step towards the end of the war.” This was the reaction of Colombia’s President Juan Manuel Santos to an accord struck in Cuba with the Fuerzas Armadas Revolucionarias de Colombia (Farc) on 19 January over international verification of a bilateral ceasefire and disarmament of the guerrilla group. This major breakthrough in the peace talks came the day after the government confirmed the imminent release of 30 Farc prisoners. The positive news has been tempered, however, by the plunge in oil and coal prices, jeopardising the government’s ability to fund post-conflict development and motivating belt-tightening initiatives and the controversial sale of its majority stake in the electric power generation company Isagén.

The justice minister, Yesid Reyes, confirmed on 18 January that 16 imprisoned Farc guerrillas would be freed this week (17 were released two days later) and a further 14 before the end of the month. The Farc had chafed about the delay, which Reyes attributed to jumping through legal hoops such as ensuring the prisoners commit to join a reinsertion programme and forswear re-joining the guerrilla group. But confirmation of President Santos’s gesture, promised last November, appeared to have the desired impact of expediting the talks.

The very next day the government and Farc negotiating teams in Cuba agreed to ask the United Nations (UN) to send a political mission to Colombia once a final peace accord is signed to help verify a bilateral ceasefire and oversee the demobilisation and disarmament of Farc guerrillas. Both the government and the Farc requested that this mission be assigned to the country for 12 months with the option of an extension. The mission will be comprised primarily of representatives from the Community of Latin American and Caribbean States (Celac), although pointedly not from countries bordering Colombia, chosen by the UN in consultation with the two negotiating teams.

“This is the most concrete step taken since [peace talks began in] November 2012,” President Santos said in a televised address from the Casa de Nariño presidential palace surrounded by leaders of almost all of the country’s political parties. Santos said he had made it clear from the outset that the government would only implement a ceasefire if it was “serious...definitive and verified”, the Farc having resisted UN verification. “We have delivered,” Santos said. He added that the mission would be composed of “unarmed observers...no blue helmets” who would settle disputes, make recommendations and present reports. Differences remain over precisely where the various Farc fronts will be ‘concentrated’ during the ceasefire but these will be ironed out in the coming weeks. The deadline of 23 March for the final accord still looks optimistic though despite the confident assertion of Defence Minister Luis Carlos Villegas that talks “are truly in the final stages now”.

## **False positives**

A Colombian judge sentenced retired army colonel

Robinson González del Río to 30 years in prison this week for his responsibility in the extrajudicial killing of 31 people between 2006 and 2009 in the department of Antioquia. González del Río is the most senior member of the military convicted in connection with the 'false positives' scandal, civilians murdered by the military and registered as guerrillas killed in combat. Last week the US think tank Washington Office on Latin America (WOLA) bemoaned the pending promotion of seven military commanders "either under investigation, awaiting trial, or facing allegations that they oversaw appalling human rights violations". WOLA argued that it sent "a perplexing message at a sensitive time" in the midst of the peace process.

Santos said he had sent a letter to the UN Security Council requesting the creation of a special mission. He said the UN would "guarantee the financing of the mission", which will incur some not inconsiderable costs given that the armed conflict has taken place in areas bereft of infrastructure and lacking easy access. "It is better to devote our resources to the implementation of the other accords," Santos said.

The European parliament approved a resolution to create a trust fund on 20 January to support the post-conflict phase in Colombia, praising the Santos administration and the Farc for their efforts to seal a peace deal. On a visit to Colombia last week the president of the World Bank, Jim Yong Kim, promised support "to help take advantage of the opportunities that come with peace". The World Bank is managing a post-conflict fund and preparing a country partnership strategy for 2016-2021 based around balanced territorial development and investment in infrastructure and human capital. But Kim stressed that "the external environment for Colombia is very complex...Global growth is slowing and the world has entered a period of lower oil and commodity prices".

## **Economic difficulties**

Oil and coal make up two-thirds of Colombia's exports but prices of both are at 12-year lows. Oil exports provided 20% of government earnings in 2013 but it expects this figure to fall to almost zero this year. The 2016 budget is predicated on an oil price of nearly US\$60 per barrel, twice the current level. Santos ordered "intelligent austerity" this week, eliminating all non-essential spending. He urged all cabinet ministers to set an example by flying economy class and controlling expenses.

In the face of the adverse global economic scenario, Santos also authorised the sale of the state's 57.61% stake in Isagén on 13 January to fund the most ambitious infrastructure programme in Colombia's history, an integral part of driving post-conflict development. Parties from both extremes of the political spectrum spoke in unison to decry the sale of the electric power generation company (albeit for different reasons) to Brookfield Colombia Investments, a subsidiary of Canada's Brookfield Asset Management, for Col\$6.49 trillion (US\$2.01bn). The finance minister, Mauricio Cárdenas, said the firm met the minimum price fixed by the government of Col\$4,130 (US\$1.22) per share.

Several hundred representatives of trade unions and leftist political parties demonstrated in front of the stockmarket in Bogotá to protest against the sale of Isagén, Colombia's second most important generating company, with six hydroelectric dams and one thermoelectric plant supplying 16% of the country's electricity. They claimed that the government would use the funds to plug fiscal gaps and are demanding transparency to ensure the proceeds from the sale are not wasted. The government insists that the money will be placed in the national infrastructure development fund (Fondes) administered by the Financiera de Desarrollo Nacional (FDN), a development bank created to finance domestic infrastructure projects, and used to finance 4G highway construction projects.

'Joaquín Gómez' (Milton de Jesús Toncel Redondo), a member of the Farc secretariat, denounced the sale as "an assault on the patrimony of the Colombian people [which] runs counter to the spirit of what is being agreed around the negotiating table [in Cuba]". The right-wing Centro Democrático (CD) found itself in the unusual position of agreeing with the Farc, despite the fact that the party's leader Senator Alvaro Uribe had also sought to sell Isagén during his presidency (2002-2010). The CD denounced the sale as "a pantomime...a farce against the public interest" because there was "no auction", the only other bidder, Chile's electric power generation company Colbún, having pulled out two days beforehand. Uribe himself tweeted that it was "offensive to Colombia" that Cárdenas was determined to "sell Isagén any which way".

**Maduro declares emergency**

On 15 January President Nicolás Maduro declared a 60-day economic emergency to deal with the severe economic crisis in Venezuela. The state of emergency would allow Maduro to govern by decree for two months, extendable for another two. The new opposition-controlled national assembly asserted that it retained the power to approve or reject the decree and would take eight days to examine it. In the meantime, however, the supreme court gave the law its approval, ruling on 20 January that it was constitutional.

Some constitutional experts pointed out that most of the measures in the package could perfectly well be implemented without a state of emergency. For instance, the decree includes emergency measures to pay for welfare schemes and food imports, and envisages new tax measures and adjustments to the law of fixed prices. However it would also give President Maduro the power to limit access to foreign currency, including electronic currency trading.

Under the law of the land, in order to justify such a state of emergency, the president must lack the means to address “social, economic, political, natural or ecological circumstances that seriously affect the safety of the country”. In reality the decree looks like another manoeuvre by Maduro to bypass the assembly. By way of example, Article 3 of the decree declares that “the president may order other measures of social, economic and political order as it deems appropriate to the circumstances”, such a broad statement that it could give the president sweeping and untrammelled power over economic policy. It also requires “public and private-sector companies to increase production levels, as well as the supply of certain inputs to facilitate the production of food or essential goods”.

That immediately prompted alarm about the threat of new expropriations. Empresas Polar, by far the most important food manufacturer and distributor in Venezuela, has long been the target of fierce government attacks. However, despite constant threats and harassment by the authorities, there has also been tacit acknowledgement by the government that Empresas Polar is best run by its existing owners – its president, Lorenzo Mendoza, has managed over the years to maintain a working (if sometimes fraught) relationship with the *Chavista* administration. To date, moreover, the Socialist government’s efforts to get involved in the food sector have been largely ineffective. Its 15-year bid to attain ‘food sovereignty’ has never made significant progress. Petro-state Venezuela is at least (if not more) reliant on imported food now than it was 20 years ago.

The government’s economic council, led by Vice-President Aristóbulo Istúriz and the new vice-president of productive economy, the radical left-wing academic Luis Salas, has been holding meetings this week with state governors, mayors and private-sector representatives to discuss the economic emergency package. While Maduro took a relatively conciliatory stance towards the opposition in his 15 January state-of-the-nation address to the national assembly, his attitude remained intransigent. He continued to blame a right-wing conspiracy for much of Venezuela’s ills, including inflation and supermarket shortages. This may bode ill for the talks. However, behind all the radical rhetoric and defensive bluster, there are some signs that the government is coming round to the idea of negotiation. Istúriz appears to be a key player in this regard, as does the assembly’s new president, Henry Ramos Allup, whose point-by-point rebuttal of Maduro’s televised speech to the assembly caused a storm.

**The unthinkable**

President Maduro in his state-of-the-nation address also mooted raising the country’s heavily-subsidised fuel prices (famously, gasoline is cheaper than bottled water in Venezuela, and most Venezuelans consider free oil something of a birthright). “The time has come,” Maduro said. This is not the first time Maduro has raised the matter. To sell that to the country, however, he may well need the support of the opposition. If he were to decree it himself, it might well hasten his political demise.

## **“A humanitarian crisis” in medical supplies**

The Venezuelan pharmaceutical federation issued a statement declaring that the country is suffering a “humanitarian crisis” for lack of key medicines. It listed shortages of 150 drugs to treat serious conditions like cancer as well as basics such as antibiotics and prophylactics. “Patients are dying across our territory for lack of medicines,” said the federation president Freddy Ceballos, and he called for urgent international assistance. As in the food sector, the Caracas government attributes shortages in the health sector to the alleged ‘economic war’ being waged against the country.

## **Data paints grim picture**

President Maduro’s move came as the central bank (BCV) released new macroeconomic figures for the first time in a year. “To an economist, it all reads like an autopsy report,” blogger Francisco Toro wrote.

The figures were as grim as expected. Inflation in the first nine months of last year was 109%, with a year-on-year rate of 142% in September, the highest annualised inflation in Venezuela since records began, and above that of war-torn countries like Syria, Sudan and Ukraine. “Venezuela has the highest inflation on the planet,” *tweeted* opposition leader Henrique Capriles Radonski.

Yet private economists suggest that the BCV figures are still an underestimate. The International Monetary Fund (IMF) reckons that inflation in Venezuela in 2015 was 270% overall. Notably, food prices are running considerably higher than the headline rate, and that is no longer anecdotal – the BCV reported inflation of 55.7% in the third quarter alone for the food and non-alcoholic drinks category, while it admitted that shortages of some items in the food basket were at 87% in June-September last year.

Meanwhile, real GDP contracted by 4.5% year-on-year in the first nine months. Output fell by an eye-watering 7.1% year-on-year in the third quarter, the seventh straight quarter of contraction. Within that, construction fell by 20.2%, followed by financial institutions (-14.4%), retailing (-12.8%), manufacturing (-11.1%) and transport & storage (-10.7%), while mining output contracted by 4.6% and electricity by 3.7%. The oil sector shrank by 7% overall, with the non-oil sector down 1.9%. Domestic demand contracted by 14.5% in the same period, with a massive 26% fall in gross fixed capital investment, a 10.4% fall in private consumption and even a 6.4% reduction in government expenditure. This was accompanied by a 27% reduction in imports and a bare 0.8% rise in exports.

In the first balance of payments data published since 2014, the BCV reported an overall current deficit of US\$13bn in the first nine months of 2015, as oil prices tumbled. The trade account actually slipped into deficit in the third quarter, to give a large current account deficit US\$5.05bn. If nothing else, this underlines the extent of Venezuela’s import dependency. While the dramatic fall in exports is no surprise whatsoever, given that oil accounts for 96% of the export basket, imports only fell by 3% year on year (in value terms) between the third quarter of 2014 and the same period of 2015, from US\$12.5bn to US\$9.3bn.

In full year 2014, total imports amounted to US\$47.5bn, thus averaging about US\$4bn a month. In the first nine months of 2015, imports came to US\$28bn, so running at just over US\$3bn a month. This is a drop, but not a massive one (25%) in comparison to the oil price shock. Back in the heady days of 2012, imports were running at US\$5.5bn a month, with the country racking up a record US\$65bn import bill that year. If those figures are any indication of the extent of the pent-up demand in the country, it is very difficult to see the government being able to squeeze imports much further – little wonder Maduro is exhorting Caracas residents to follow his example and raise domestic poultry. (Maduro says he and First Lady Cilia Flores keep 50 chickens in their back yard).

## **And how to pay?**

The state-owned oil firm, Petróleos de Venezuela (Pdvs), is now facing the unprecedented situation whereby the Venezuelan oil price (US\$22 a barrel as we went to press) is barely above production costs, estimated at US\$20/b for the country’s heavy crude. Barclays Bank has now raised concern about “a credit event” later this year. While payments are manageable for now (Venezuela just met its latest debt servicing obligations), a hefty US\$10bn falls due in October/November. The BCV reported reserves of US\$15.6bn on 20 January.

But while the finance ministry strips reserves to meet sovereign debt obligations, farmers and dairy producers in Uruguay came out in protest this week to complain about non-payment from Venezuela under the bilateral agri supply deal inked between Maduro and his Uruguayan peer Tabaré Vázquez. “Venezuela owes US\$100m to the dairy sector,” dairy producer Marcos Algorta told the local daily *El Universal*. “The debt owed to CANAPROLE (the biggest dairy company in Uruguay) alone is US\$86m, for merchandise that was already delivered, Venezuelans already ate it,” he complained.

**Ancap provides Vázquez with serious dilemma**

President Tabaré Vázquez is in the awkward position of having to choose between his Vice-President Raúl Sendic and his economy and finance minister, Danilo Astori. Vázquez would deny the choice is as stark as this but there is a growing sense that if either of his two closest political associates were let off their leash they would be at each other's throats. The more radical wing of the ruling left-wing coalition Frente Amplio (FA) has rallied behind Sendic with regard to the massive debt amassed by the state energy company Administración Nacional de Combustibles, Alcoholes y Portland (Ancap) during his tenure as president (2008-2013). It blames the economy and finance ministry, controlled by Astori in person or by proxy since the FA came to power in 2005. Astori is the *de facto* leader of the FA's moderate wing, which has joined the political opposition in questioning Sendic's management of Ancap.

Sendic downplayed Ancap's debt in an interview with Uruguay's weekly magazine *Búsqueda* on 14 January. "Nothing Ancap does can be measured in the short-term of three or four years," Sendic said. "Take biofuels for instance. This cannot be measured by price alone but environmental impact in the medium to long term." Sendic maintained that developments in congress in recent weeks, however, demonstrated that the political opposition and part of the FA "want to sink me politically".

At the end of a mammoth extraordinary session of the senate on 29 December the FA used its one-seat majority to approve a bill to write off a US\$622m debt of Ancap and to recapitalise the state company with a US\$250m loan from the Banco de Desarrollo de América Latina-CAF. It was the same story in the lower chamber of congress where a tense debate started on 2 January and concluded the following day with the FA falling back on its one-seat majority again to secure approval of the bill.

**Opposition criticism**

Deputy Jorge Gandini, of the main opposition centre-right Partido Nacional (PN; Blancos), led the charge against the bill. Not only did Gandini denounce mismanagement at Ancap that it should require a bailout on this scale but he also raised the issue of whether the state energy company had helped to fund Sendic's internal electoral campaign in June 2014 when his Lista 711 suddenly received more votes than any other party in the FA coalition.

PN Senator Álvaro Delgado, meanwhile, denounced a second covert capitalisation in the form of the cost of fuel. He said that taking in conjunction the value of the US dollar and the low cost of oil, Uruguayans should see the cost of fuel at the pumps come down by 9% in January alone – but there was no sign of this happening.

Others used more colourful language. PN Deputy Nicolás Olivera denounced the passage of "Hurricane Raúl" through Ancap leaving a deficit of US\$800m trailing behind it. PN Senator Luis Alberto Heber recalled that there was an Ancap subsidiary, Caba Sociedad Anónima, producing a brand of perfume known as 'Alma mía' ('My soul'), with four different fragrances – *Enamorada*, *Exótica*, *Libre* and *Radiante*. Heber said that this division of the company was racking up losses of US\$700,000 a year while its managing director was earning US\$350,000 a year.

**PI opposes Ancap bailout**

Iván Posada, a deputy for the small Partido Independiente (PI), said it was "unprecedented for a state monopoly to face a situation of bankruptcy". The PI opted against supporting the bill on the grounds that it was impossible to back a big bailout when the same management responsible for the mess was being kept in place.

## Trade unions

The size of the Ancap bailout jeopardises the economy and finance ministry's hardline negotiating stance with Uruguay's trade unions. Danilo Astori has framed all of the ministry's decisions in terms of economic austerity given the domestic, regional and global economic uncertainty. Trade unions, whose protests and general strikes to demand salary increases and greater public investment have been faced down by the government, will now be able to ask how it is that the government has suddenly been able to find the cash for a massive rescue package for Ancap.

Senator Pedro Bordaberry, the leader of the right-of-centre Partido Colorado (PC; Colorados) said the Ancap bill amounted to the biggest capitalisation in the country's history. Bordaberry said that by his calculations the size of the bailout was the equivalent of US\$30,000 for every Uruguayan family, which would be taken out of the public purse.

The opposition unanimously agreed that as a bare minimum the Ancap directors should have been replaced or there was a very real risk that they would repeat the same mistakes. Ancap closed 2014 posting net losses of US\$324m, doubling losses for the previous year, despite a decade of sustained growth in Uruguay. The state monopoly is currently being run by José Coya, a close associate of Sendic.

## Divisions within the FA

This overall response from the opposition would have been anticipated by the government. If anything it got a comparatively easy ride. But the government would have been less prepared for the ferocity of some of the criticism from within the FA.

Deputy Darío Pérez of Liga Federal Frenteamplista (LFF) insisted that not only should the Ancap leadership be forced out but they should also be compelled to perform a public act of contrition. Senator Daniela Paysée, of Asamblea Uruguay, the moderate faction led by Astori, tweeted that "Capitalising Ancap is vital but it must be accompanied by profound changes in investment planning, and restructuring of business plans...If I were part of the leadership I would ALREADY have tendered my resignation".

When it came to the vote, in both the senate and the lower chamber, coalition discipline was enforced within the FA. But the rift was clear for all to see. FA radicals blame the deficit at Ancap on decisions taken by the economy and finance ministry which has been Astori's domain for over a decade. FA moderates aligned with Astori point the finger at Sendic. Vázquez, meanwhile, is trying to manage the situation with extreme tact to avoid upsetting either of his key political allies or estranging parties within the FA.

## Conflicting reports

This is clearly not the end of the matter. With no consensus over the origins of the state company's problems, further discord between the moderate and radical wings within the FA will break out when a final report summarising a congressional investigation into Ancap is presented to the senate on 15 February. This report, in the name of the whole of the FA, is being drawn up by Deputy Lilian Galán of the Movimiento de Participación Popular (MPP), the FA party that contains the Movimiento de Liberación Nacional-Tupamaros (MLN-T) and is aligned with the radical wing. FA Deputy Alfredo Asti, of Asamblea Uruguay, pointedly said that his party did not agree with the conclusions of the report, and refused to sign up to it.

Opposition parties are also preparing their own reports summarising the congressional investigation, which concluded on 18 December last year. Senator Pablo Mieres, the leader of the small Partido Independiente (PI), told the national daily *El Observador* on 4 January that his party's report would include a chapter entitled 'Proposals', which would include recommendations such as changing the laws associated with the control of public companies (presumably to give the political opposition greater involvement), and changes to Ancap's organic charter with regard to the designation of senior management positions.

"There were irregularities," Mieres said, adding that "those that appear to be criminal will be passed on to the judiciary". Both the PN and the PI have said that they will take legal action.

**Getting even?**

Jujuy Governor Gerardo Morales has been accused of pursuing a personal vendetta against Milagro Sala. In 2009 Sala led an 'escrache', a violent demonstration, against Morales (eggs and stones were thrown), during a public debate over the concession of radio frequencies to Kirchnerista social organisations. During last year's election campaign Morales described Tupac Amaru as "a parastate organisation, a system of diverting public money and destroying people's dignity". He alleged that the social organisation had constructed only half of the homes it should have done with the funds it had received, while workers in its cooperatives received less than half the minimum wage.

**Kirchnerismo gets rallying point against Macri**

The speed with which President Mauricio Macri has moved to set Argentina on a new track since taking office has caught the Kirchnerista opposition by surprise, but it now has its first rallying point for protests against the new government. It came with the arrest of Milagro Sala in the north-western province of Jujuy on 16 January. Sala, a diehard Kirchnerista social leader and politician, had spearheaded protests against the governor of Jujuy, Gerardo Morales, as soon as he took office on 10 December last year. When Morales, a member of the ruling Cambiemos coalition, struck back with the weight of the provincial judiciary behind him by having Sala arrested and imprisoned it caused a major stir. The repercussions could be felt for some time leading to a test of strength between Macrismo and Kirchnerismo.

Sala is one of the most powerful figures in Jujuy. She is the leader of the social organisation Tupac Amaru which has used generous subsidies from Kirchnerista governments to build several thousand houses in poor neighbourhoods in 13 cities and towns in the province, along with two schools, primary healthcare centres and six factories employing over 5,000 people in the various textile and construction cooperatives it runs. More than 50,000 out of some 700,000 jujeños are affiliated to Tupac Amaru and pay US\$6 a year for the privilege. Sala is also a deputy for the Kirchnerista Frente para la Victoria (FPV) faction of the Partido Justicialista (PJ, Peronists) in the Southern Common Market parliament (Parlasur).

On 14 December 2015 Sala led a protest by Tupac Amaru and other social organisations against the newly elected Morales. They erected some 400 tents in the central square of the capital city, San Salvador de Jujuy, and camped out in protest at a proposal by Morales to revamp the system of state subsidies to cooperatives to render spending more transparent and accountable. After 32 days of protest Sala was suddenly arrested in her house accused of "instigating crime and public disturbance". The provincial judiciary said Sala would not be released from prison, from where she is staging a hunger strike, unless the protest encampment disbanded.

Morales then announced his government had filed a suit against Sala for allegedly embezzling some AR\$29m (US\$2.17m) of public funds meant for housing construction of which there was no trace. "Milagro Sala took money from the state and the poor," Morales said. "Everyone in Jujuy knows that the social leader headed a mafia and criminal organisation with an incalculable fortune that she has handled without any accountability for years on end". Morales added: "We need to end intermediaries." By this he means his government wants to assign state subsidies directly rather than through explicitly politicised organisations empowered under Kirchnerismo which, Morales claims, have misused public funds through clientelism.

**Kirchnerismo versus Macrismo**

Developments in Jujuy provide a microcosm for the clash of political styles evident at a national level between Kirchnerismo and Macrismo. The Sala case also gave the former a cause célèbre. The FPV bloc of national deputies rejected Sala's arrest during a press conference in Buenos Aires, attended by members of Tupac Amaru who explained the work the group is doing with poor communities. La Cámpora, the militant Kirchnerista youth wing, led a protest march to the Plaza de Mayo in Buenos Aires to demand the release of "the first political prisoner of the government of Mauricio Macri" as Sala was described by Agustín Rossi, a fellow Parlasur deputy (and defence minister [2013-2015]). Rossi said a delegation of Parlasur legislators had been dispatched to Jujuy led by the president of the human rights commission, fellow Argentine, Julia Perié.

## Banknotes

Political polarisation between Macrismo and Kirchnerismo even extends to the figures on Argentina's banknotes. The new government has decided to reverse the decision by the previous government to put former president Hipólito Yrigoyen (1916-1922; 1928-1930) on a new Ar\$200 note and, crucially, Juan Domingo Perón (1946-1955; 1973-1974), the idol of Kirchnerismo, on a new Ar\$500 note. Instead, the southern right whale will appear on the Ar\$200 note and a jaguar on the Ar\$500 note. The minting of higher denominated bills is required because of the peso's sharp decline in value in recent years. The biggest note in circulation at the moment is the Ar\$100 bill (currently worth just US\$7.4). Other political figures on banknotes will also be replaced by the guanaco, the condor and the taruca (Andean deer). The president of the central bank, Federico Sturzenegger, said that "all Argentines will be able to identify with the wildlife".

The Abuelas de Plaza de Mayo also took part in the protest march along with stalwart Kirchneristas like the piquetero leader Luis D'Elía and former commerce secretary Guillermo Moreno (2005-2013) who, after returning from a posting at the Argentine embassy in Italy last month, launched a political outfit, 'La Néstor Kirchner', which he said would "fight for Peronism within the PJ".

Moreno's remark succinctly elucidates the divisions within the monolithic PJ (Sala, for instance, might have been a darling of Kirchnerismo but other PJ factions viewed her with suspicion). It is these differences that Macri needs to exploit. As Uruguay's former president José Mujica (2010-2015) said during a book launch on 10 January, "I don't know how it will go with Macri when push comes to shove [lit. when the potatoes are burning]," adding pointedly that he would need a Peronist wing behind him.

## The risk for Macri

The problem for Macri is that it is not just Kirchnerismo that has denounced Sala's arrest. The prestigious local NGO Centro de Estudios Legales y Sociales (CELS), close to Kirchnerismo but respected for its defence of human rights, has been joined by Amnesty International in condemning Sala's imprisonment as "a very serious precedent of the criminalisation of social protest" and is mooted taking action in international forums.

The Macri administration is adamant that it has nothing to do with the Sala case. When Jorge Taiana, the president of *Parlasur* and a former foreign minister (2005-2010), called on the incumbent foreign minister Susana Malcorra to explain "the measures [she had] taken to guarantee [Sala's] physical wellbeing and secure her freedom...and right to demonstrate freely", Malcorra pointed Taiana to Jujuy's judiciary. During a one-hour interview this week with foreign journalists from *The Guardian*, *Le Monde*, *El País* and *La Stampa*, Macri himself said that "it's a good thing that judges can step up to defend the law", arguing that "several cases have been opened against her [Sala]."

Despite these comments by Macri, who was also careful to dissociate himself completely from the legal action against Sala, the case could cause some strain within Macri's *Cambiamos* behind the scenes. Macri is unlikely to thank his coalition partner Unión Cívica Radical (UCR), to which Morales belongs, for the arrest and subsequent imprisonment of such a prominent Kirchnerista at such a time.

The trouble for Macri is that it draws up battle lines just as his government is preparing to launch complex and difficult negotiations with holdout creditors with the crucial objective of regaining access for Argentina to international markets. Macri needs as much cross-party political support as he can muster in order to ensure federal congressional approval of the offer his government eventually makes to the holdouts but Sala's arrest has been criticised by moderate politicians as well as staunch Kirchneristas.

The other issue at stake is Jujuy itself. The province is important to Macri and he will not want to alienate the public there through even indirect association with heavy-handed action against a prominent opponent. Jujuy is the only province in northern Argentina where *Cambiamos* triumphed (through the UCR) in last year's provincial elections, and which also voted in favour of Macri by 53% to 47% in his presidential run-off victory last November. Macri even decided to conclude his second-round campaign in the city of Humahuaca in Jujuy. Macri has included Jujuy in 'Plan Belgrano', an ambitious US\$16bn investment programme launched by his government in 10 provinces in northern Argentina to boost social development, production, and infrastructure.



## Rio murders down, but disappearances up

One of the greatest concerns for organisers of the 2016 Olympic Games in Rio de Janeiro has been the city's historically low levels of security. As such the latest statistics published on 15 January by the state-run Instituto de Segurança Pública (ISP) provided a welcome fillip to the local authorities. In 2015, the city of Rio de Janeiro registered a murder rate of 18.6 per 100,000, the lowest level for 14 years, a result hailed by the state security secretary, José Mariano Beltrame, as a source of "pride". Though it appears progress has been made there are a number of important caveats to note.

In 1994, in Rio's worst year for recorded homicide, over 4,000 people were murdered in the city. As such, the fact that only 1,202 people were killed in 2015 represents significant progress. Iлона Szabó, director of the respected independent think-tank, Iguarapé, told the newspaper *O Globo* that the fall in murders was vindication of the strategy of pacification, a security policy entailing the use of special forces to clear certain favelas of criminal gangs and the subsequent installation of police units, known by their Portuguese acronym of UPPs. According to Szabó, the policy has reduced violence between drug traffickers, contributing to a fall in the murder rate.

However, it is worth noting that the World Health Organization (WHO) still considers any murder rate of more than 10 per 100,000 an "epidemic" level of violence. Homicide levels in the surrounding state of Rio de Janeiro are 25.4 per 100,000, although this too represents the second-lowest level since records began in 1991. Street robbery and car theft were also down significantly year-on-year in 2015.

### Police killings and disappearances

Troublingly, killings by police also rose significantly in 2015, up 10.3%. The number of police officers killed also increased; while 18 were killed in 2014, 26 were killed in 2015. Perhaps most worryingly of all, the number of disappearances in Rio de Janeiro has risen significantly in parallel with the drop in homicides.

In 2005, there were 2,030 homicides in the city of Rio de Janeiro, and 1,454 disappearances. By 2015, these numbers had effectively swapped over; with 1,202 murders and 2,533 disappearances. For Ignacio Cano, a researcher at the Laboratory for the Analysis of Violence at Rio de Janeiro's state university, the increased number of disappearances appears linked to a change in strategy by the city's militias, the groups of off-duty police officers and fire-fighters that run a large number of housing estates and favelas in Rio.

"Previously, they preferred to demonstrate extreme violence in order to intimidate people. Now they are much more discreet," Cano said. "Now it is possible that when they kill someone they hide the body, so that it is registered as a disappearance." Though militias traditionally distinguished themselves from other criminal organisations by banning drug trafficking in the areas they controlled, there is increasing evidence of collaboration between the two types of organisation.

### Interest rates unchanged at 14.25%

On 20 January the monetary policy committee of Brazil's central bank (Copom) voted by six to two to keep Brazil's benchmark interest rate (Selic) at 14.25%. The decision has been welcomed by members of the ruling left-wing Partido dos Trabalhadores (PT), but criticised by orthodox economists, who claim the government interfered in the committee's decision-making.

### IMF slashes forecast

In its World Economic Outlook, the International Monetary Fund (IMF) slashed its forecast for Brazil's growth. It expects Brazil's GDP to have shrunk by 3.8% in 2015, and predicts that it will contract a further 3.5% in 2016, with zero growth in 2017.

## Charges against Preciado

Just four days ahead of the voting day on 13 January, a group of Colima civil-society organisations presented criminal charges of illicit enrichment, tax evasion, false declaration of assets, and of people trafficking against Jorge Luis Preciado. This after a group of online activists calling themselves 'Anonymous Colima' began releasing a number of videos on *YouTube*, which they claim contain evidence that Preciado inappropriately used public funds to finance his campaign; and implicate him in a people trafficking ring that recruits young women and allegedly forces them to have sex with individuals in exchange for political favours. In presenting the charges, lawyer Alberto Maldonado Chavarin said that these should be investigated by the federal authorities as they relate to federal crimes.

## PRI claims victory in Colima (again)

Mexico's nationally ruling Partido Revolucionario Institucional (PRI) looks set to retain control of the state of Colima after its candidate, José Ignacio 'Nacho' Peralta, emerged as the apparent winner of extraordinary gubernatorial elections on 17 January. The Colima election became a hard fought contest between the PRI and the right-wing Partido Acción Nacional (PAN) after the PAN challenged the original 7 June 2015 election result, in which its candidate Jorge Luis Preciado narrowly lost to Peralta, on whose behalf it accused the incumbent PRI state government of unlawfully campaigning. With the PAN already accepting defeat, the PRI is now hoping that Peralta's victory will be quickly confirmed by the electoral authorities so that it can use it as a springboard to other victories in 12 gubernatorial elections due to take place this June.

Colima was forced to re-stage its gubernatorial elections after the federal electoral tribunal (TEPJF) agreed with the PAN that the intervention in the campaign by incumbent PRI government officials influenced the results of the original elections. Preciado, a PAN federal senator for Colima, lost June's elections by a margin of just over 500 votes (out of 498,531 registered voters), so the PAN felt that it was robbed of victory in one of the states that has never been under the control of any party other than the PRI.

Indeed, Preciado and the PAN fancied their chances in the extraordinary election. They believed that Preciado would overturn the narrow lead that Peralta obtained and win the contest, provided that this time the national electoral institute (INE) ensured a level playing field. However, the PAN's confidence ensured that the short 35-day official campaigning period leading to the extraordinary elections was intense, hard fought and above all vicious. While the PAN once again complained that Colima state government officials – including Governor Mario Anguiano – were once again campaigning in favour of Peralta, the PRI accused the PAN of irregularly financing Preciado's campaign with public funds from the Sonora state government.

The PRI also accused Preciado of taking advantage of his position as federal senator to direct federal funds to his campaign illegally. Since the start of the year Preciado has also come under attack from various local civil-society groups, which presented myriad corruption and criminal accusations against him (*see sidebar*). Preciado forcefully denied all the accusations and sought to dismiss them as part of a 'dirty campaign' being waged against him by the PRI, which he said was running scared of losing the extraordinary election.

### PRI claims victory

The consistent attacks levelled against Preciado appear to have taken their toll. The first rapid-count vote tally (Prep) preliminary results released by the INE just hours after the polls closed gave Peralta a clear 43.9%-40.2% lead over Preciado with 72.2% of the vote counted. Although the INE, which reported some 50 minor election day incidents, was clear that the full Prep results would not be released until the following day due to the unprecedented theft of electoral material from three of the 903 polling stations, the PRI was quick to proclaim victory. Peralta immediately held a victory rally in Colima's eponymous state capital. It was attended by the PRI party president, Manlio Fabio Beltrones, who said that despite INE's failure to release full Prep results, the PRI's exit polls gave Peralta an unassailable lead.

The PRI's premature celebrations were censured by Preciado and the PAN. In a press conference Preciado said that he would not recognise defeat until the INE released its final results, which it must do by 24 January. Preciado

## Peralta

In his 17 January victory rally the PRI's Colima gubernatorial candidate, José Ignacio Peralta, said that he would be an honest governor, focused on fighting corruption and jailing any government officials caught appropriating public funds. "I will be a responsible governor that keeps his word...what Nacho says will translate into concrete deeds," Peralta said pointing out that his first priority as governor would be to balance public finances and eliminate all forms of corruption. Vowing to do this without any political bias, Peralta added "the administration of justice must be fast, clear and transparent...everyone must be responsible for their actions".

went on to claim that by the PAN's own count he had a lead of "some 500 votes"; and he criticised the INE for its "irresponsible" decision to release its preliminary Prep results despite the reported irregularities. He also denounced campaigning as "the dirtiest ever in the state" and complained about INE's failure to prevent this. Preciado's comments were backed by the PAN party president, Ricardo Anaya, who said that the party would wait for the release of final results before deciding whether to accept or once again challenge these in the courts.

Anaya's remarks sparked concerns that the political crisis in Colima, which has been governed by an interim governor since November 2015 when Anguiano's term formally ended, would continue. In a radio interview on 18 January, Beltrones said that on the PRI's count, Peralta's margin of victory was five percentage points or a "convincing" 11,000 votes. Arguing that it was "about time that the people of Colima had a government that can work for them", Beltrones said that it would be "ridiculous to challenge the electoral results again" and that "the sensible thing is for the PAN to accept defeat".

Beltrones's call was answered that same day when, in another press conference, Preciado conceded defeat and said that he would not challenge the electoral results. Preciado's announcement came after the INE released its full preliminary Prep results, which gave Peralta 118,772 votes (43.23%) to 108,604 (39.53%) for Preciado. The PAN candidate said that "The voting does not favour us and we want to recognise this result... I also give my word that we will not challenge the election, we will recognise the Prep results released by INE. We will not present any challenge". Should no other party present a formal challenge before the 15-day legal deadline, Peralta will be proclaimed governor-elect. This will provide a boost for the PRI while the PAN will want to put this defeat behind it and concentrate on mounting strong challenges in other state elections this year.

## MEXICO | SECURITY

### Mass abduction cases re-emerge in Guerrero

In the space of a week, the local authorities in Guerrero state have reported that men suspected of forming part of a local criminal organisation have kidnapped dozens of people near the municipality of Arcelia. As the case of the September 2014 abduction and presumed murder of 34 trainee teachers from the Guerrero town of Iguala by a local criminal gang remains unresolved and continues to be a major issue for the government led by President Enrique Peña Nieto, there is heightened concern that the situation in Arcelia could turn into a new Iguala.

Reports of the mass abductions in Arcelia first emerged on 12 January, when Guerrero Governor Héctor Astudillo said that he had been informed by the mayor of Arcelia, a municipality located in Guerrero's lawless Tierra Caliente region, that relatives of a group of over 20 people travelling from Arcelia to the nearby town of La Palma denounced that the travelling party had been intercepted on a back road two days earlier by eight heavily armed individuals and had gone missing. Due to the Iguala precedent, Astudillo, who assumed office in October 2015 after winning the 7 June 2015 gubernatorial election, immediately asked the federal attorney general's office (PGR) to assist his government in investigating the incident.

The PGR ordered the army and the federal police (PF) to launch a major operation to find the abduction victims, with the federal security forces deploying ground patrols and even two helicopters to the area. After a few hours of the search, the Guerrero attorney general's office (PGJEG) reported, also on 12 January, that it had found the body of one of the suspected victims dumped on the side of the road near Arcelia. The PGJEG said that the body of José Eutimio Tinoco, who appeared to have been beaten to death, had

## Mass graves

On 19 January the Guerrero civil-society organisation, Los Otros Desaparecidos de Iguala, reported that it had found human remains in two mass graves in the hills surrounding the municipality of Teloloapan, in the north of the state. Mario Vergara Hernández, one of the organisation's leaders, said that since its formation in the wake of the Iguala abductions, the group has discovered 321 bodies in mass graves across Guerrero but that the authorities have so far only identified 15 of them. Vergara, whose brother has been missing since 2012, says that the group has gradually expanded its operations out of Iguala to cover other areas after being asked to do so by relatives of the disappeared in places like Taxco, Cocula, Huitzucó and Arcelia.

been positively identified by his relatives. The PGJEG also reported that it had been informed about another suspected kidnapping of five teachers, from a school in the adjacent town of Ajuchitlán del Progreso, who were also reportedly taken by a group of armed men over the 8-10 January weekend.

PGJEG head Xavier Olea provided an update of the investigations on 14 January that drew more worrisome parallels between the Arcelia abductions and the Iguala case. Olea said that the authorities were working on the hypothesis that the two Arcelia abduction cases were connected. Revealing that the relatives of the abducted teachers had been asked to pay a M\$3m (US\$167,000) ransom, Olea said that investigators believed that the kidnappings had been perpetrated by a newly formed gang that goes by the name of 'Los Tequileros', which Olea said is a splinter of La Familia Michoacana (LFM) drug trafficking organisation (DTO) and "another criminal group that operates in the Tierra Caliente Region".

Olea explained that Arcelia is a "disputed area where there is lots of marijuana and [opium] poppy" and that, being a new outfit, Los Tequileros appeared to be emulating other criminal organisations in a bid to muscle in on the area. "The kidnappings are probably intended to finance the purchase and smuggling of drugs to the US," Olea said, adding that a secondary aim of the abductions could be to recruit new members as some of those taken are "very young". However, Olea said that after identifying the potential suspects the authorities were "very close" to finding out the exact location where the abductees were being held.

## Releases and new abductions

The intense search carried out by the federal security forces did appear to put enough pressure on the kidnappers for them to release many of those taken on 15 January. That day Astudillo announced that 21 individuals had been released by their captors and returned to their families in Arcelia. But Astudillo recognised that not all of those reported as missing were released, with some youths still unaccounted for. The Governor said that the authorities were still hunting the kidnappers and that they hoped they would be found soon or pressured into releasing all of their captives. However, on 19 January Guerrero's public security ministry reported that six other people had been abducted by criminals in the Progreso area of Arcelia. The ministry said that it had received information that four members of a family and two high school students had been taken by unidentified armed men in Ajuchitlán del Progreso.

Five of the six people taken on 19 January were released later that day. In a press conference Olea said that the four family members were released and made their way back to their house in Progreso, while one of the high school students was also freed. But the other, whose name has not been released, remains captive. Olea insisted that the wave of kidnappings was due to a turf war between emerging rival gangs. He said that the four Progreso family members are relatives of an individual known as 'El Huarache', who is suspected of leading Los Tequileros and that they were kidnapped by gangsters led by someone identified as 'El Pez', presumably of LFM. Olea insisted that the authorities would not let up in their investigation and search for the missing. But he was forced to admit that the federal and state authorities had been unable to arrest anyone suspected of being involved in the kidnappings yet.

Problematically for the Peña Nieto government, the wave of kidnappings in Arcelia comes as the federal interior minister, Miguel Ángel Osorio Chong, claimed on 19 January that figures compiled by the national specialised anti-kidnapping unit (UECS) show that the number of kidnappings across the country had fallen by 27% between January and November 2015 compared to the same period of 2014, according to official figures. While this may be true, kidnapping clearly remains rife in Guerrero even after Iguala and the ensuing federal security intervention.

**Morales assumes his latest role**

Jimmy Morales was sworn-in as president for a four-year term last week. His unveiling of his 14-member cabinet might have ended one source of speculation, but considerable doubts persist as to what he will actually do – both due to the lack of substance of his manifesto which has been widely criticised by local think tanks, and constraints due to his weak legislative presence. In his inauguration speech, Morales cited the need to crack down on corruption and impunity as a major priority. This was unsurprising given that his electoral victory stemmed largely from his ability, as a perceived outsider, to capitalise on the backlash against the string of corruption scandals afflicting the political class (which ultimately forced his predecessor Otto Pérez Molina to step down in September 2015).

President Morales's failure to disclose his new ministers until their inauguration on 14 January – which broke with past precedent – had served as a major source of speculation and in the end he retained two ministers from the previous administration, led in the final months by Alejandro Maldonado following Pérez Molina's departure. These are: Brigadier General Williams Mansilla Fernández, whom Pérez Molina appointed as defence minister in August 2015, and the foreign minister, Carlos Raúl Morales, whom Maldonado named to the post in September 2015 following his cabinet reshuffle upon taking office.

In his inauguration speech, Morales made curiously little mention of security, long a government priority given Guatemala has one of the highest homicide rates in the region, although on 4 January the authorities reported a continued decline in murders – to 4,778 in 2015 (29.5 per 100,000 inhabitants), down 4% on 2014 (when the rate was 31.6 per 100,000). Morales named as his new interior minister Francisco Rivas Lara, a first deputy secretary of the attorney general's office (AG) tasked with coordinating investigations of high impact cases. The choice of an official from the AG – which together with the international commission against impunity in Guatemala (Cicig) was key to uncovering the corruption scandals – has been interpreted by local media as a positive sign that the crackdown on corruption will continue.

As regards the economy, GDP grew by 3.9% in 2015, down from 4.2% on the latest (January 2016) figures from the Economic Commission for Latin America & the Caribbean (Eclac). It is worth recalling Eclac's observation that despite the election and the political crisis which culminated in Pérez Molina's resignation, macroeconomic variables remained stable. For the post of economy minister, Morales opted for Rubén Estuardo Morales Monroy, a former economy minister under the Unidad Nacional de la Esperanza (UNE) administration led by Alvaro Colom (2008-2012) and ex-director of the Guatemalan exporters' association (Agexport), who stood as legislative candidate for the opposition Compromiso Renovación y Orden (Creo) in last year's general elections. Morales named as his new finance minister Julio Héctor Estrada, who since 2012 has served as the executive director of the national agency of alliances for the development of economic infrastructure (Anadie).

Both ministers have close links to the private sector, which suggests that the likelihood of implementing a much-needed fiscal reform remains low. The local think tank Instituto Centroamericano de Estudios Fiscales (Icefi) estimates that the tax take for 2014 was just 10.8% of GDP (less than the 12% minimum target established in the 1996 peace accords ending the 30-year civil war) and warns that the figure for 2016 could drop to 10.1% in 2016. While Pérez Molina passed a fiscal reform in 2012, it has been held in abeyance amid a string of constitutional appeals.

**Cabinet**

- Brigadier General

Williams Mansilla

Fernández *Defence*

Carlos Raúl Morales

*Foreign affairs*

- Rubén Estuardo

Morales Monroy

*Economy*

- Julio Héctor Estrada

*Finance*

- Francisco Rivas

Lara *Interior*

- José Pelayo

Castañón *Energy &*

*mining*

- Oscar Hugo López

Rivas *Education*

- José Alfonso

Cabrera Escobar

*Public health*

- Aura Leticia

Teleguano *Labour*

- Mario Méndez

Cóbar *Agriculture*

- José Guillermo

Moreno *Social*

*development*

- Sidney Alexander

Samuels

*Environment*

- José Luis Chea

Urruela *Culture &*

*sport*

- Sherry Lucrecia

Ordóñez Castro

*Infrastructure &*

*communications*

## Poverty on the rise

On 10 December Guatemala's national statistics institute (INE) released its national survey on living conditions (Encovi), which showed that 59.3% of the population (total 16.7m) were living in poverty in 2014, up from 51.2% in 2006, while 23.4% were living in extreme poverty, up 8.1 percentage points on 2006. The Encovi survey also showed a discrepancy between indigenous and non-indigenous populations, indicating that 79.2% of the indigenous population is poor, compared with 46.6% of the non-indigenous population. According to the local press, the poverty and extreme poverty lines were set at Q\$10,218 (US\$1,334) and Q\$5,750 (US\$750) annually.

Of the other cabinet appointments (see page 13 sidebar) the only one to attract concern was that of Sherry Lucrecia Ordóñez Castro as infrastructure & communications minister. Ordóñez, a civil engineer, has links to local company Ingeniería y Servicios Viales (Insevi), which according to local investigative daily *El Periódico* received Q\$15.78m (US\$2.1m) in state contracts between 2006 and 2014. In its first protests staged on 16 January calling for Morales to make good his anti-corruption pledge, the citizens' movement '#JusticiaYa', which was behind the protests which forced Pérez Molina to resign, called for Ordóñez's resignation.

## Priorities

As well as promising to combat corruption, Morales cited as other immediate priorities: reducing Guatemala's chronic undernutrition rates which the United Nations (UN) puts at 15.6% of the population (15.5m); and addressing the health-sector crisis. As regards the former – which Pérez Molina also declared a priority (although on his watch poverty levels actually increased, see sidebar) – Morales is proposing to cut malnutrition by 10% over the next decade, without providing any indication as to how. As regards the crisis facing the health sector which, widely attributed to the impact of institutional corruption, Cicig has pledged would be its next priority, Morales has assigned Q\$100m (US\$13m) to go on medicine and equipment.

## Legislature

With just 11 seats in the fragmented 158-member unicameral legislature following the 6 August 2015 general elections, one challenge facing Morales – just as with his predecessors before him – is his weak legislative presence. In a further sign of the notorious weakness characterising the party political system, since the general election, two of the main parties – Libertad Democrática Renovada (Líder) of Manuel Baldizón and the Partido Patriota (PP) – have unravelled. Three new blocs have emerged, made up in part of these defectors – the Movimiento Progresista (PRO); Movimiento Reformador (MR); and Alianza Ciudadana (AC).

According to a 17 January report in the national daily *Prensa Libre*, Líder, which won the most seats in the 2015 election (45), has seen its presence dwindle to 11, leaving the UNE – for whom Mario Taracena also won the presidency of congress for 2016-2017 – as the biggest single presence, with 33 seats (up from 32 won in August). MR emerges as the second biggest bloc with 19 seats followed by Todos of UNE dissident Roberto Alejos (which retains 18 seats). The PRO grouping has 13 seats, followed by Líder, AC and Morales's Frente de Convergencia Nacional (FCN-Nación) which each have 11.

## Immediate test

One immediate test of Morales's anti-impunity pledge will come with the AG's recent request for legal action against one of his closest allies – (Ret.) army colonel Edgar Justino Ovalle Maldonado, a Frente de Convergencia Nacional (FCN-Nación) deputy – over alleged human-rights violations which took place during the civil war.

Ovalle is a founder of the military veterans' association (Avemilgua), whose members set up the FCN-Nación in 2004, and civil-society groups have raised fears that these links could undermine efforts to bring former military officials accused of human rights violations to justice. Avemilgua members notably testified in court in defence of the former dictator, Efraín Ríos Montt (1982-1983), convicted in 2013 of genocide and crimes against humanity committed by the state during the civil war; a ruling that was overturned only days later.

AG Teresa Aldana announced the move against Ovalle at a press conference on 6 January during which she also revealed that 14 other former military officials had been arrested for alleged human-rights violations and crimes against humanity committed between 1981 and 1988 – a move hailed as "historic" by local activists such as Mario Polanco of NGO Grupo de Apoyo Mutuo (GAM).

### Varela's popularity on the slide

According to the most recent Dichter & Neira poll released on 15 December, President Varela's popularity is just 50%, down from 79% in January 2015. One big source of popular discontent is cited as the cost of living – 72% of respondents thought it was on the rise. Yet the most recent (January 2016) report by the United Nations Economic Commission for Latin America and the Caribbean (Eclac) notes that as of October 2015, inter-annual variation in the consumer price index (CPI) was -0.4%. The same report notes that the national jobless rate as of August 2015 stood at 5.1%, compared to 4.8% at the same date in 2014, while the open unemployment rate climbed to 3.8%, from the 2014 rate of 3.5%.

### Doubts build as latest expansion deadline nears

President Juan Carlos Varela has put the expected date for the completion of the US\$5.3bn Panama Canal expansion project at "around May 2016". His announcement follows continued uncertainty as to whether the deadline – already pushed back from October 2014 amid a dispute in late 2013 over cost overruns with the multinational consortium Grupo Unidos por el Canal (GUPC) – would be met.

During his state-of-the-nation address on 2 January President Varela himself acknowledged the question marks over the completion date amid ongoing legal wrangling and urged the GUPC (which, comprising Spain's Sacyr Vallehermoso, Italy's Impreglio, Belgium's Jan de Nul and Panama's Constructora Urbana S.A [Cusa], is in charge of constructing the third set of locks – the expansion plan's biggest project) to leave legal disputes to the "competent authorities" and focus instead on completing its work on the waterway.

Varela's call followed contradictory statements by the Panama Canal Authority (ACP) and the GUPC over the likely completion date for the project (which is 96% finished). While the two sides had reached an agreement in 2014 over the cost dispute (which briefly led the GUPC to suspend work on the expansion plan early that year [WR-14-01]) the timeframe again was cast in doubt last year after localised seepage was found in the concrete sill between the lower and middle chamber of the Canal's expanded Pacific Locks [WR-15-42].

After issuing a statement on 1 December that "work to reinforce the sills in the new locks will be completed in January 2016", on 18 December the ACP said the inauguration is expected to take place in the second quarter of 2016 with the commercial opening soon thereafter. However, the following day the GUPC issued a statement warning that "the time to reach that date depends on the willingness and availability of the ACP", which it accused of continuing to "delay any payment awarded under the contract, limiting the progress of the Project".

Meanwhile, the legal wrangling continues. On 31 December 2015 an independent arbitration panel, the Dispute Adjudication Board (DAB) (which a year earlier had awarded the GUPC US\$233m of the US\$463m it was seeking from the ACP in relation to the dispute), again found in favour of the consortium in relation to two further complaints related to extra labour costs and a workers' strike, for which it awarded the GUPC US\$17m (out of US\$45m initially demanded).

The ACP, however, maintains that while this is the fifth such case in which the DAB has found in favour of GUPC (which received a total of US\$283m – albeit less than the US\$803m it was demanding for the five cases), the discrepancy between the GUPC's demands and the amount awarded provide grounds for questioning the consortium's methods for calculating costs – a point which has led one lawyer to file a criminal case.

#### Criminal complaint

The vice-president of Panama's national bar association, Juan Carlos Araúz, filed the criminal complaint in a personal capacity with Panama's attorney general's office against the GUPC. This was the first such criminal complaint filed against the multinational consortium in charge of constructing the third set of locks. According to the local press, the complaint calls for an investigation in order to establish whether the consortium had defrauded the State by artificially inflating costs.

### Quotes of the week

“We have taken another step, and a definitive step, towards the end of the conflict and the achievement of peace.”

*Colombia's President Juan Manuel Santos.*

“The national government has had six enabling laws and now wants more faculties. Do you think the crisis can be solved by giving power to those who have had all the power?”

*Venezuelan opposition leader Henrique Capriles Radonski.*

“Applying the government's logic, after the arrest of Milagro Sala, Venezuela should call for the application of Mercosur's democratic clause.”

*Argentina's former foreign minister Héctor Timerman (2010-2015) accuses the government of President Mauricio Macri of double standards, comparing Sala “a political prisoner” to the imprisonment of Venezuelan opposition figurehead Leopoldo López.*

### Honduras gets its anti impunity commission

Honduran President Juan Orlando Hernández and the secretary general of the Organization of American States, Luis Almagro, finally inked a long-awaited agreement to set up the new Mission for Support against Corruption and Impunity in Honduras (Maccih) on 19 January. The mission provides for an international team of investigators and prosecutors to collaborate with Honduran counterparts to pursue corruption cases and implement systemic judicial reform.

The Maccih will be led by a Peruvian, Juan Jiménez Mayor, who prior to a short stint as prime minister (2012-2013) also served as justice minister (2011-2012). The mission will run for an initial four-year term, subject to renewal. Its stated aim is to improve the Honduran judiciary “through active cooperation, technical advice, supervision and oversight of the state institutions responsible for preventing, investigating, and punishing acts of corruption”. Significantly, it will have full and unobstructed access to official documents and the power to investigate corruption cases, after loud demands by the Honduran opposition and civil-society groups that it be given more teeth – originally, it was envisaged as more of an observatory body, with a remit to recommend and advise on reform.

Among 10 action lines the Maccih will “select, advise, assess, and certify a group of Honduran prosecutors and judges who will be conducting investigations and prosecuting cases involving corruption networks; establish a group made up of judges, prosecutors and well-regarded international experts of high international standing, who will provide support, technical advice, oversight and/or assessment to entities of the Honduran justice system”. Notably, the mission will also “work jointly with civil society to build an observatory to monitor and assess progress of the Honduran judicial system; outline and implement a new normative framework on political/electoral financing and facilitate the creation of a regulatory framework to fight corruption in the private sector”.

The Maccih will be funded by international donors, to the tune of some US\$8m annually, so as to “guarantee its independence and autonomy”. The US State Department welcomed the agreement, while locally it was hailed by the supreme court (CSJ) president Jorge Rivera, Attorney General Óscar Fernando Chinchilla, and the private-sector lobby Cohep. Sceptics, including former president Manuel Zelaya (2006-2009), said the Maccih had six months to prove itself.

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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](mailto:subs@latinnews.com) or visit our website at: <http://www.latinnews.com>

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