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As guerrilla threat recedes in Colombia, paramilitary threat grows

Colombia's President Juan Manuel Santos greeted the news that his government will soon be thrashing out a peace accord with the country's second guerrilla group, Ejército de Liberación Nacional (ELN), as confirmation that a definitive post-conflict settlement is within sight. The very next day, however, an armed 'strike' by Colombia's largest emerging criminal group (Bacrim) began: over the ensuing 48 hours six people were killed and urban areas were impacted in a way that comparable 'strikes' by the country's guerrillas never achieve. The Bacrim are a serious threat to the peace talks. Guerrilla groups view them as paramilitaries and insist that the government disband them as a precondition of their own demobilisation.

'Antonio García' (Erlinto Chamorro Acosta), the ELN's military commander, will head the guerrilla group's peace delegation, the equivalent of 'Iván Márquez' (Luciano Marín Arango) for the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Cuba. Frank Pearl, who has led the government's exploratory talks with the ELN, will stay on as the head of its peace delegation. The negotiating table will be composed of five main members (and five alternates) for each party. They will not be able to exceed 30 at any one time.

In a press conference in the presidential palace Casa de Nariño, on 31 March, Pearl elaborated on the ELN peace process announced in Venezuela the previous day [WR-16-13]. Negotiations will take place, as with the Farc, amid hostilities, although Defence Minister Luis Carlos Villegas called on the ELN to declare a unilateral ceasefire. Pearl said the onus was on the ELN to show the Colombian public it had "a genuine peaceful vocation". He said the biggest difference with the Farc peace process would be the level of public participation; one of the main criticisms of the Farc talks is that they have been conducted in secrecy. Pearl said the precise nature of public participation had not been established, but civil-society groups in departments most affected by the armed conflict will be invited to advance initiatives, proposals and programmes that contribute to social justice and reducing poverty and inequality, within the different points of the accord. He stressed, however, that direct negotiations would be between the government and the ELN.

The peace process consists of six points: participation of society in the construction of peace; democracy for peace; transformations for peace; victims; the end of the conflict; and implementation. It is likely that some of the individual accords on rural development, political participation and victims agreed with the Farc will be subsumed into the ELN peace process. An editorial in the national daily *El Tiempo* on 31 March argued that "it would be foolish to draw up a parallel route in the same direction". President Santos said the truth commission; peace tribunal; and procedures for monitoring and verifying an eventual bilateral ceasefire overseen by the United Nations (UN), agreed with the Farc, could also be applied to the ELN peace process.

Armed strike

Five members of the security forces and one civilian were killed, and several cars burnt out, in the armed strike called by Clan Úsuga against “the traitor Juan Manuel Santos”. It affected urban areas in the departments of Chocó, Antioquia, Sucre, Córdoba, Bolívar, Cesar, Magdalena and Norte de Santander. It was even felt in Santa Marta, the capital of Magdalena and the third largest city in the country’s Caribbean region. On 3 April Clan Úsuga issued a statement threatening reprisals for those towns that did not comply with the armed strike, singling out the capital of Sucre, Sincelejo, which it said would “suffer the consequences of its disobedience”.

While this would all expedite talks with the ELN, there are still some significant challenges. The Farc and the ELN have different roots, structures and priorities. The ELN was formed by urban middle-class intellectuals seeking to replicate the Cuban Revolution in Colombia; the Farc leadership was composed of peasants with a strong rural presence coordinating a series of self-defence groups resisting the encroachment of large landowners backed by paramilitaries. The ELN fiercely opposes what it sees as capitalist exploitation, especially oil and mining ventures, hence its repeated attacks on oil infrastructure, especially the Caño Limón-Coveñas pipeline, causing major economic and environmental damage over the decades. Extorting the mining and oil industry is the ELN’s main source of finance; the Farc is more involved in the drug trade. The Farc espouses Marxist-Leninist ideals but the ELN is more dogmatic. The ELN is barely a fifth of the size of the Farc (it has 1,500 fighters as opposed to 7,000 for the Farc, according to defence ministry estimates).

One of the biggest challenges for the government is the doubt surrounding the unity of command within the ELN. The ELN has more competing visions on its collegiate central command (Coce) than the more disciplined top-down Farc hierarchy. While the Farc has more than 50 fronts nationwide, the ELN is based in five strategic areas – the western ABC departments of Arauca, Boyacá and Casanare; the Catatumbo region in Norte de Santander; southern Bolívar; north-eastern Antioquia; and the Pacific coast departments of Chocó, Nariño and Cauca. It is far from clear that its different fronts have bought into the peace process.

Paramilitary threat

Senator Roy Barreras, the president of the Partido de la U, one of the mainstays in the ruling coalition, pointedly reacted to the announcement of the ELN peace process by calling upon the government to prioritise combating the Bacrim, “the principal source of insecurity in the country”. The biggest obstacle in a ‘post-conflict’ Colombia looks like being Clan Úsuga, also known as Los Urabeños and Autodefensas Gaitanistas de Colombia (AGC), a name with deliberate echoes of the paramilitary Autodefensas Unidas de Colombia (AUC) which disbanded in 2006. This is because Clan Úsuga, which has 3,000 members nationwide (twice as many as the ELN), wants to be treated as a political organisation. Its leaders are heirs of the AUC who claim to be “immersed in a conflict not through our own will but in legitimate defence due to an absent State”.

On 31 March and 1 April, Clan Úsuga called an “armed strike” across urban municipalities in northern Colombia (*see sidebar*). The government has intensified the fight against Clan Úsuga, targeting its leaders through Operation Agamemnon since the security forces have not had to focus on the Farc over the last year. But the armed strike served notice of the threat the group poses. It was also a reminder that paramilitarism is a major impediment to peace.

Santos responded to the armed strike by saying that “[Clan Úsuga] is not a political group, but a criminal gang dedicated to drug-trafficking, extortion and intimidation”. Granting the AUC political status was a tacit acknowledgement that the State had been complicit with paramilitaries, but since the AUC was demobilised the government has refused to recognise neo-paramilitary groups, labelling them Bacrim and treating them as common criminals not combatants that could benefit from special judicial treatment. For the Farc this is a semantic not a structural change. On 6 April, ‘Pablo Catatumbo’ (Jorge Torres Victoria), a leader on the Farc negotiating team, began a new phase of talks in Cuba by stressing that without an accord to expunge paramilitary groups and guarantee the security of demobilised guerrillas “there will be no peace”. He insisted this was not “a delaying tactic” but “an irrefutable reality”.

Congressional elections hold key to success**Anti-Keiko march**

Some 25,000 protesters took to the streets of Lima on 5 April, and 20 other cities nationwide, to mark the 24th anniversary of Alberto Fujimori's 'autogolpe' ('self-coup'). It doubled as a march against the candidacy of Keiko Fujimori, who for her part said the public repudiation was just but accused President Humala of seeking to undermine her candidacy through his fiercely critical comments. During the presidential debate, Keiko promised to respect democracy and human rights and that "never again will there be a 5 April". While trying to allay fears about her democratic credentials, Keiko was keen to focus on tackling insecurity. The public perception that she is best-equipped to address this major voter concern is one of her strongest cards.

Keiko Fujimori should come first at a canter in presidential elections on 10 April, with the main interest surrounding who will secure second place and a chance to fight another day in a likely June run-off. There is another election being held this Sunday, however, the outcome of which could dictate how successfully the next president can govern over the coming five years. Local pollsters have largely ignored the congressional elections until the last two weeks but they are now predicting that Fujimori's Fuerza Popular (FP) will be the best represented party in congress since the authoritarian government of her father Alberto Fujimori in the 1990s. While this would significantly strengthen her presidency, if she wins, it would seriously complicate matters for her conqueror if she does not.

The final opinion polls before election day put Keiko on between 33% and 35%. This is a commanding lead over second place but is virtually unchanged since campaigning officially began at the turn of the year. Her rival in a likely second round should be either Pedro Pablo Kuczynski of the centrist Peruanos por el Cambio (PPK) or Verónica Mendoza of the left-wing Frente Amplio (FA). Polls averaged 16% for Kuczynski with Mendoza within touching distance of second after jumping some seven percentage points in two weeks to around 15%. The polls showed that Alfredo Barnechea, of Acción Popular (AP), was falling away and lies in fourth place on around 8%.

The polls are also suggesting that the FP is on the cusp of winning a majority of 66 in the 130-seat congress, with PPK and FA likely to return about 25 deputies each. Unlike President Ollanta Humala's ruling Gana Perú, the FP is a cohesive bloc. If Keiko wins a majority it should strengthen her hand in the second round but it should not be difficult for the FP to forge an alliance with smaller parties even if it falls just short of 66 seats. If she loses, the FP will provide a serious obstacle for her vanquisher.

Mendoza has the momentum. She has been helped in the closing stages by the clumsy performance of the electoral authorities (JNE and JEE), and the conviction among some of the public of a Fujimorista bias if not an active conspiracy to benefit Keiko. The secretary general of the Organization of American States (OAS), Luis Almagro, appeared to intimate as much this week after meeting a leading presidential candidate expelled from the process, Julio Guzmán. Much to the chagrin of the JNE, Almagro called for "measures to re-establish the right to political participation for everyone and avoid semi-democratic elections". Even at this late stage the JNE is still considering accusations to exclude candidates: it rejected one related to Kuczynski but its decision on another, affecting Fujimori no less, is still pending.

Mendoza used the final presidential debate on 3 April to reach out to the significant number of poor and disenfranchised voters who feel neglected by the political class (deliberately speaking in quechua at times) by promising a profound change in the economic model. This has spooked the markets and Kuczynski took indirect aim at her by urging voters "not to return to failed experiments whose results we see in another country". His big challenge is convincing the poor (about 25% of the population) that he would govern for them; Mendoza's big challenge would not come until the second round when she would need to convince wealthier Peruvians that she would not tear down everything that is in place, although she insists she will not abandon her principles by tacking to the centre.

Women get ironing leave

In October 2009 the late president Hugo Chávez (1999-2013) delivered one of his more humorous rebukes to Venezuelans when he urged them to stop wasting time – and energy – by singing in the shower and taking long baths. “Some people sing in the shower, in the shower half an hour. No folks, three minutes is more than enough. I’ve counted, three minutes, and I don’t stink...And if you are going to lie back, in the bath, with the soap and you turn on the what’s-it-called, the Jacuzzi...imagine that, what kind of Communism is that? We’re not in times of Jacuzzis!” he declared to congressional titters on national television, amid efforts by the left-wing Socialist government to deal with the latest electricity supply crisis in the country.

Fast forward seven years, and Chávez’s successor, President Nicolás Maduro failed to raise any smiles this week in exhorting Venezuelan women to reserve their hair dryers for ‘special occasions’, not to use the tumble dryer and even to cut down on ironing, as the country faces its worst energy crisis yet amid critically low water levels at the main Guri dam, which supplies roughly a third of national electricity.

Maduro’s patent assumption that only women use hairdryers or domestic appliances, while clearly offensive, is a minor slight against long-suffering Venezuelan women, whose personal indignities in recent times have extended to a lack of sanitary provisions and woefully insufficient care for pregnant women at risk of the Zika virus in the country. Unlike in neighbouring Colombia and Brazil, where transparency has been critical to the official efforts to deal with the virus, the Venezuelan authorities have been altogether coy about releasing estimates for Zika infections in the country. Nonetheless, local doctors and medical personnel insist that the virus is prevalent all over the country this long hot summer and, coincidentally, Venezuelan travellers have been identified with the virus in several countries including the US, Peru, Cuba and as far afield as China in recent months (*see sidebar*).

Meanwhile, women and men alike were also left wondering if Maduro’s latest decision to decree a four-day working week in the public sector for the next eight weeks, as part of the latest emergency energy-saving measures, would be applicable also to schools, which could create havoc for working parents.

Full details of the measures were due for publication as we went to press on 7 April, but Maduro said that under the package all basic industries (heavy industry and manufacturing) would be obliged to reduce energy use by 20%, with immediate effect, while large business consumers, both public and private, including the likes of hotels and shopping malls, will be required to generate their own electricity for 8-9 hours a day.

The private sector was unclear as to whether it too might also be subject to the reduced working week, which would weigh further on the Venezuelan economy at a time when it is already deep in recession. Reduced factory output and distribution would put additional pressure on already-scarce supplies – and add to the existing near-hyperinflationary pressures in the country.

Maduro tried to make light of the situation, joking about long weekends, but the local reaction was one of incredulity. As ever, the Maduro government is reduced to reactive measures, apparently making policy on the hop. Maduro was forced to admit that earlier piecemeal efforts to tackle the crisis – including declaring an extra public holiday over Easter and ordering shopping centres to operate reduced hours – had made little difference. He also admitted that existing low energy tariffs, which all but encourage wide-

Zika

A former health minister, José Felix Oletta (1997-1999), suggested to the US broadcaster *NPR* this week that the Zika outbreak in Venezuela could number half a million cases, way above the suspected 4,700 cases reported by the newly appointed health minister, Luisana Melo, back in January (which was the last official report by the government).

Cabello takes the high ground

Deputy Diosdado Cabello, second-in-command of the ruling PSUV, demanded on his weekly TV show that all the names of Venezuelans implicated in the 'Panama Papers' leak be published locally, amid reports that the word 'Venezuela' was referenced 241,000 times among the papers and suggestions that former senior government officials were involved. Cabello declared that no Venezuelans linked to corruption could call themselves Chavistas. "If you are Chavista, you cannot be corrupt, I am talking about those who say they are Chavistas," he said. Cabello himself has been accused by conservative Venezuelan and international media of corruption and potential links to drug trafficking, with suggestions that US authorities have investigated him on these grounds, charges he vehemently denies. Cabello also promised that former president Chávez would not be among the names; "you are not going to find comandante Chávez mixed up in all this".

spread heavy energy use, needed to be examined, but in a sign that he is too politically weak to impose such painful adjustments, he pledged that rates would not be lifted without a lengthy public debate first, effectively kicking the can down the field.

The Guri hydroelectric dam is now at just 243 metres – its lowest-level ever and just three metres from the critical point whereby water cannot feed the turbines, which could force the complete shutdown of the complex, which supplies around 75% of the power running to the capital Caracas. The government has partially blamed the 'El Niño' climatic phenomenon, which has resulted in a long dry spell this year that has also caused drought and energy supply problems in neighbouring Colombia. But critics point out that years of underinvestment and a failure by the Venezuelan authorities to maintain and update the country's power grid – even as energy consumption boomed in the Chávez era – has left it weak and extremely vulnerable to supply shocks.

Opposition stuck in the MUD

The energy crisis can only add to the growing social tensions in the country, which are being exacerbated by spreading violent crime in urban areas. While the government has denied the prospect of rolling blackouts, which had to be imposed by the Chávez government in 2009, criminal elements in Caracas and elsewhere might well see fit to take advantage of such measures. In this context, there are mounting fears of a serious social breakdown in Venezuela.

Meanwhile the opposition coalition, Mesa de la Unidad Democrática (MUD), bent on using its new control of the national assembly to secure the early removal of Maduro and fresh elections, seems unable to go beyond rhetoric, having been pushed into a corner by the executive's blatant reliance on a pliant judiciary to cripple the legislature's every move.

This week the opposition was dealt two fresh blows to its efforts. First, the supreme court's constitutional chamber ruled against the national assembly's efforts to modify the central bank law partially so as to assert for the legislature the competency to appoint central bank authorities, ruling that this should be the exclusive competency of the executive; while the national electoral council (CNE) dispatched a letter claiming that the national assembly's proposed new referendum law was also unconstitutional and asserting for itself the sole and exclusive right to initiate/amend legislation on electoral matters, including referendums.

The MUD's argument for drafting a referendum law is that Venezuela does not yet have such a law on its statute books. One has been pending since the 1999 *Chavista* constitution was adopted, but the ruling Partido Socialista Unido de Venezuela (PSUV), which controlled the legislature until last year, failed to get round to it. In the absence of any such legislation, in 2007 the CNE cobbled together a resolution (N° 070327-34, 13 April 2007) under which to hold a (failed) recall referendum against Chávez. The CNE president, Tibisay Lucena, in her letter to the assembly, insisted that this (arguably provisional) regulation stood, and that the CNE reserved for itself, moreover, the exclusive right to issue regulations pertaining to electoral matters, including referendums.

The MUD immediately rejected the letter, with Deputy Enrique Márquez, leader of the opposition party Un Nuevo Tiempo and first vice-president of the assembly, responding that the government and the PSUV "has opted for the worst of paths, it has opted for a war between powers that lacks all sense". He warned that the CNE was putting itself "on the margins of the constitution".

Meanwhile, Lucena has yet to reply to a MUD request sent over three weeks ago asking the CNE to approve and allocate forms for the initial signature

Yasuní drilling

Ecuador's state oil company Petroamazonas has confirmed the start of drilling operations at the Tiputini C oil well, located on the edge of the pristine Yasuní Amazon national park and indigenous reserve. The Tiputini C is the first of some 200 wells planned to access the almost 1.0bn barrels of crude believed to lie underneath the Ishpingo Tambococha Tiputini (ITT) block. In a statement, the environmental NGO Amazon Watch demanded, "Why such urgency to exploit the Yasuni-ITT with an adverse oil market? By drilling Yasuní-ITT, the Ecuadorian government is threatening to destroy one of the most biodiverse and culturally fragile treasures on the planet, for what amounts to about a week of global oil supply," noted the NGO's director, Leila Salazar-López. Other activists also questioned why Petroamazonas is expanding its operations when at present it is losing an estimated US\$15 on every barrel extracted.

collection (1% of voters) needed to initiate a recall process against Maduro. The aim of the CNE and the government is to delay any referendum vote until after April 2017, after which point if the president is recalled the vice-president takes over and sees out the remainder of the current term (ending in 2018), without any need for a snap election.

Opposition leader Henrique Capriles Radonski, who is leading the recall referendum signature collection drive and is the main proponent of the initiative as the most legitimate constitutional option for the removal of the president, decried the delay, warning that it could lead to unrest. "You, Mrs Lucena, are co-responsible for what might happen in this country, because patience has a limit. A rector cannot take it upon herself to deny 30m Venezuelans their right to express themselves. The majority want a change, a peaceful change," Capriles stated.

The MUD has vowed to approve the referendum law anyway, in which case Maduro is likely to send it up to the supreme court's constitutional chamber, just as he has vowed to do with the new amnesty law approved by the assembly [WR-16-12]. The president appears oblivious to the growing fears among opposition moderates like Capriles that the continued government/judicial efforts to block opposition initiatives may lead to a violent dénouement.

ECUADOR | POLITICS & ECONOMY

Increase in sin taxes rankles

Authorities in the Ecuadorean capital Quito were gearing up for fresh pro- and anti-government protests on 7 April over the latest organic law for the equilibrium of public finances (Ley Orgánica para el Equilibrio de las Finanzas Públicas), which among other measures raises 'sin taxes' on cigarettes, alcohol and sugary drinks. Critics accuse the cash-strapped left-wing government led by President Rafael Correa of picking people's pockets as weak oil prices bite harder. Correa argues that the latest law is designed not only for the fiscal but also for the physical health of the country.

The executive sent the organic law to the unicameral national assembly, which is controlled by the ruling Alianza País (AP), as a matter of urgency, meaning that the assembly has 30 days to debate it. The new taxes include a two-cent increase in the tax on cigarettes, a 12-cent increase on every bottle of beer, and a 25-cent levy per litre on fizzy drinks. But other, unexpected new tax rises have created a strong backlash. These include a steep 15% tax increase on fixed and mobile phone operators, a reduction in the amount of cash (i.e. dollars) people can take out of the country free of the 5% Impuesto a la Salida de Divisas, and, equally controversially, further cuts to local government offices and agencies.

In a clear sign of the dollar liquidity crisis in the country, the law includes incentives for people willing to exchange physical cash at the central bank for 'electronic dollars', which would be loaded onto their mobile phones for use for bill payments. The new electronic dollars, rolled out in 2015 by the central bank partially in a bid to encourage more low-income people into the banking system, have had a poor take-up, with people reluctant to let go of their precious cash.

With tax revenues down by anywhere between 8% and 12%, according to estimates by local economists, the government calculates that the measures will raise some US\$300m for the treasury. With everyone from business chambers to mobile operators, consumer groups and sections of both the Left and the Right opposed, however, observers wonder if the political cost for the AP ahead of the February 2017 general elections is worth that relatively small return.

Senate gives Macri sword to cut Gordian knot**Prat-Gay**

Finance Minister

Alfonso Prat-Gay

demonstrated that he has his finger on the

political as well as the economic pulse.

After the federal senate approval of the holdout bill, Prat-

Gay said that “the world, impressed with the changes undertaken by the Macri administration, but with some doubts

with respect to how Macri was going to put changes into

practice without majority support in both chambers and without Peronism,

can start to see those doubts cleared up”.

“The definitive action that erases the default.” That is how a jubilant Alfonso Prat-Gay responded to the federal senate’s emphatic support for the government’s bill to resolve the debt crisis with holdout creditors on 31 March. Argentina’s finance minister celebrated the “democratic maturity” of the senate where the political opposition has a large majority. It was a double victory for President Mauricio Macri. Not only did he get support for a bill that aims to end 15 years of pariah status for Argentina in international markets but he also exposed the rifts within the main opposition Partido Justicialista (PJ, Peronists). The holdouts and the PJ were two of the biggest issues casting doubt on the capacity of the ruling Cambiemos coalition to govern the country.

On paper gaining the approval of the senate should have proved more difficult than the lower chamber where Cambiemos has a much larger presence, but while the bill’s passage was comfortable enough through the latter it sailed through the former. The moderate leadership in the senate of Miguel Ángel Pichetto of the Frente para la Victoria (FPV, Kirchneristas) faction of the PJ pointed towards a deal being done but the scale of the victory was unexpected: 54-16.

The 13-hour debate, featuring almost 60 speakers and concluding in the early hours, exposed the internal divisions within the PJ but also within the FPV between moderates and hardliners. The FPV provided practically half (26) of the senators who backed the bill. Peronist governors, assiduously courted by President Macri in trips around the country in recent weeks and attracted by the prospect of an influx of private investment to finance public works, exerted their influential on senators representing their provinces. The government will now seek to issue US\$12bn in bonds on international markets to pay back the holdouts before a deadline of 14 April.

“So far we’ve only made it from the paddock to the starting gates,” Prat-Gay said. There will be some steep jumps along the way but if his government can retain domestic support in the short-term and turn around the economy in the second half of the year, Macri will have a much easier ride than seemed likely when he took office just over 100 days ago. Through negotiation the government has shown it does not require majorities and can advance its future legislative agenda. Of course, greed for a share of a large influx of investment in a post-holdout world played a big part in Peronist support on this occasion, and future legislation will not always hold out the same pecuniary attractions.

Inflation and Panama Papers

The principal challenge for the Macri administration is inflation, which gnaws away at the purchasing power of the poorest and the patience of the middle class. Macri said that, in conjunction with the recent visit of US President Barack Obama, the holdout deal would lead to “investment in infrastructure that has not been made in the last 15 years [since the default] because those who might previously have said ‘how good everything looks...but let’s wait a while...will now say ‘let’s take the decision’”. Macri said economic growth would resume in the second half after five years of stagnation, and inflation would come down.

Macri needs to make all the necessary economic adjustments while he has maximum political capital because he is well aware that public support is fickle. The transport minister, Guillermo Dietrich, announced a 100% increase in train and bus fares in metropolitan Buenos Aires to take effect from 8 April.

**Fernández
investigated for
corruption**

The Frente para la Victoria (FPV) is not on particularly firm ground when it comes to corruption. Former president Cristina Fernández (2007-2015) must testify about alleged irregularities in central bank operations on 13 April. And, on 4 April, Margarita Stolbizer, a federal deputy for the centre-left Generación para un Encuentro Nacional (GEN), filed a formal complaint against Fernández and her children Máximo (an FPV federal deputy) and Florencia, for illicit enrichment and falsifying public documents in connection with the company Los Sauces. Established in 2006 in their native province of Santa Cruz, Los Sauces reported no business operations at all in 2007 or 2008 before making property investment of AR\$9m (US\$600,000) in 2009 and AR\$10m in 2012.

This follows a 200% increase in electricity tariffs on 1 February. Bus fares will double from AR\$3 to AR\$6 (US\$0.41) and rail fares from AR\$2 to AR\$4 (US\$0.27). Dietrich argued that the increases were really just a reduction in populist non-means tested subsidies applied under Kirchnerista governments. He sought to sweeten the pill by stressing that concessionary or 'social' fares would be extended from 2.3m to 6m people.

Dietrich said the increases would help provide more investment in transport infrastructure, such as an AR\$5bn (US\$337m) investment in extending the 50km network of Metrobus, which enjoys dedicated separated lanes and stations in Buenos Aires city. He argued that the lack of investment under Kirchnerista governments had contributed to the tragedy at the Once railway station in Buenos Aires in 2012 when a train derailed claiming 51 lives.

The government was careful to seek the approval of transport unions before announcing the fare increases. There is concern in government circles that trade union protests could escalate as the streamlining of the state to reduce the public sector deficit has seen thousands of dismissals.

The Macri administration argues that the painful economic adjustments being implemented right now are imperative but also one-off to resolve a mess inherited from 12 years of Kirchnerista governments that massaged statistics and lied about the figures by intervening at the national statistics institute (Indec), currently undergoing a major overhaul. Macri claimed that accumulated inflation over the last decade was 700%.

The majority of the public has accepted Macri's diagnosis and prescription as reflected in a high approval rating of some 70%. But the acceptance of increases to utility prices and public transport fares was in part a tacit quid pro quo for Macri's commitment to an open and transparent government, and his promise of zero tolerance for corrupt public officials. In this context Macri's appearance in the 'Panama Papers' leaked to the press this week (see *page 14-15*) was awkward timing, not because of any proven impropriety on his part but because his name has been tarnished by association with offshore accounts and tax havens.

Speaking on Córdoba's Voz y voto political television programme on 4 April, Macri admitted that he was director and vice-president of Fleg Trading, a company set up by his father Franco in 1998 with the intention of investing in Brazil and registered in The Bahamas before being wound up in 2008. Macri said he never mentioned this on his declaration of assets because he was neither a shareholder nor received a salary for a position which Franco, separately, described as nominal. The tax authorities (Afip) released a statement which, without mentioning Macri by name, stipulated that a hypothetical someone in his precise position would have "absolutely no need to declare anything". Macri also received an invaluable endorsement from Elisa Carrió, a straight-taking ally and scourge of corruption, who said he had shown her the relevant documentation and she had concluded that he was "telling the truth".

While Macri said he knew very little about the company, and even joked that his father should have paid him for making him a director, the FPV pounced on the unexpected gift of the 'Panama Papers'. The FPV bloc in the federal lower chamber of congress issued a statement calling for "an urgent special session to discuss the creation of an investigative commission of offshore entities" and for Macri to give a press conference "to disperse the cloud of suspicion" as "Something is rotten in the state of Denmark". It also demanded that Argentina's ambassador to Panama, Miguel Torres del Sel, be replaced with "a career diplomat without political links to the government", and called for the head of the anti-corruption office, Laura Alonso, to resign for "immediately leaping to the President's defence when it is her role to investigate possible corruption".

Impeachment momentum stalls

On 6 April the newspaper *O Estado de São Paulo* published an assessment of the current attitudes of federal congressional deputies to impeachment. Two hundred and forty-five are reportedly in favour; 110 against; 58 are undecided; 11 did not wish to comment and 89 failed to respond. With around 10 days to go until a likely vote on whether to open impeachment proceedings against President Dilma Rousseff officially those in favour are well short of the 342 votes needed. But regardless of the outcome of the vote, scheduled for 17 April, neither side looks likely to back down.

Behind the scenes, the government has been working furiously to lure members of congress over to the anti-camp, with the promise of jobs or lucre. An unsourced report in *O Globo* on 31 March claimed that the government was offering federal funds for pet projects of up to R\$1m (US\$275,000) for a vote against impeachment and R\$400,000 for a no-show. Whatever the actual sum it is doubtful whether the government's latest ally, the Partido Progressista (the only national party describing itself as "right-wing" and which boasts within its ranks 31 of the 52 deputies under investigation for involvement in 'Operation Car Wash') is motivated by considerations of the greater good of the republic.

PMDB fluffs its lines

In front of the cameras, Brazil's perennial political bridesmaid, the Partido do Movimento Democrático Brasileiro (PMDB), is messing up its big moment. Last week's decision by the national directorate of the party to withdraw from the governing coalition, after months of public agonising, turned into a damp squib. So far only one of the party's seven cabinet ministers has actually quit the government. The image of the PMDB's deeply tainted leadership celebrating their liberation from the Partido dos Trabalhadores (PT) prompted a supreme court judge, caught unaware by an open microphone, to remark: "My God, is that the only other choice we have for a government?"

It is a remark that appears to have found an echo among the population at large. Nobody appears particularly excited at the thought of President Michel Temer, the PMDB bigwig who is next in line to the presidency in the event of Rousseff's impeachment. A recent Datafolha poll showed that while 68% of the public is in favour of Rousseff's removal, only 16% support the idea of a Temer administration. Temer has been accused of involvement in an illegal ethanol-selling scheme revealed by the plea-bargaining testimony of former PT senator, Delcídio do Amaral. Many believe there is likely to be much more dirt on the former law professor. An editorial in this Sunday's *Folha de São Paulo* demanded "Neither Dilma, nor Temer".

Impeachment para todos?

Brazil's political crisis is approaching the level of farce. On 6 April, the libertarian movement Movimento Brasil Livre (MBL), one of the main drivers of the impeachment process, called for Marco Aurélio Mello, a supreme court judge to be impeached. His crime? Ruling that congress set up a commission to examine whether Temer should be impeached. Eduardo Cunha, the speaker of the federal lower chamber of congress who initiated the impeachment proceedings against Rousseff, called his decision "ridiculous" and promised to appeal to the full plenary of the supreme court.

The argument for Temer's impeachment is that as vice-president he personally signed decrees authorising the accounting manoeuvres for which Rousseff now faces trial. In essence, these moves amount to a fairly commonplace practice in Brazil, at both state and federal level, of violating the law of fiscal responsibility, with Rousseff accused of using state-backed banks to mask budget deficits. A report published on the website Aos Fatos points out

Lula waits

Over the weekend former president Lula da Silva told supporters he would be in the cabinet by 7 April. In fact the supreme court has yet to rule, definitively, on whether he can take up the position as President Rousseff's cabinet chief. In the meantime, Rousseff has said she will make no further changes to her cabinet before the impeachment vote.

Cunha, again
One of the Brazilians listed in the 'Panama Papers' was, to nobody's surprise, Eduardo Cunha, who once again protested his innocence. There are rumours that Cunha may be attempting to cut a deal to stand down as speaker of the federal lower chamber of congress in return for his support of a Michel Temer presidency. The deal would allow Cunha to remain as a federal deputy, ensuring he could only face prosecution by the supreme court over allegations of corruption.

that though the practice was used in previous governments, Rousseff adopted the measure 35 times the combined total of both former presidents Lula da Silva (2003-2011) and Fernando Henrique Cardoso (1995-2003).

In congress

At the start of this week, Rousseff finished her defence to the impeachment commission in congress. José Eduardo Cardozo, the attorney-general, argued that the move to impeach her was an offence to the constitution. "There is no action by the president of the republic that could be considered a crime of responsibility related to actions carried out in 2015," he said. The date is important because the president cannot be impeached for anything that she carried out during her first mandate, only for actions carried out during her current term of office.

Cardozo accused the opposition of "ineptitude", claiming that the petition presented to congress was "from the judicial point of view, weak, reprehensible and liable to fail". He also said that the impeachment process had been motivated by vengeance on the part of Cunha. Cardozo said Cunha had launched the impeachment as "retaliation against a head of state who refused to hand over the votes of the PT to you in the ethics commission." Cunha currently faces losing his mandate over lying to congress over secret Swiss bank accounts.

For Cardozo, the absence of a clearly defined crime justified the description of the process against Rousseff as a "coup", the word she constantly employs. While he acknowledged that this was not a military coup, Cardozo said it was a move that would damage Brazil's institutions and "the democratic state". Any government that came to power subsequently would be illegitimate. Such an administration, Cardozo said, would struggle to assume the functions of a state.

Whatever the merits of Cardozo's arguments, they did not succeed in convincing Jovair Arantes, from the Partido Trabalhista Brasileiro (PTB), who is the reporter on the impeachment commission. In testimony to congress on the evening of 6 April, Arantes said his commission would recommend that congress vote to impeach Rousseff. Though its report is in no way binding, it may influence the decisions of some of the undecideds. However, it still appears the impeachment camp is a long way short.

One idea gaining ground as a way out of the crisis is for new elections. Initially proposed by Marina Silva, the third-placed presidential candidate in 2014, it was suggested by reporters to Rousseff earlier this week. She replied: "convince the lower chamber and the senate to give up their mandates. Then we'll see." The response was clearly somewhat tongue-in-cheek, but the idea has not been ruled out. Jaques Wagner, the cabinet chief, who is very close to Rousseff, said it was "less aggressive" than impeachment but would have to come from Rousseff herself "and we are not even thinking about that". It remains difficult to see elected politicians, many of whom are now facing serious accusations of wrongdoing, voluntarily submitting to re-election for the good of the country.

What next?

Should impeachment fail this time around the opposition is unlikely to give up, but Rousseff is equally adamant she is not going anywhere. The opposition will also be hoping that the supreme electoral court will find grounds to invalidate the elections of 2014, following accusations Rousseff and Temer's campaigns were funded with money from the scandal surrounding the state-run oil company Petrobras. Possibly the only development that might lead to a swifter resolution of the political crisis would be further revelations from 'Operation Car Wash' that force Rousseff out. Prosecutors working on the case say they are only about 30% through, meaning there are likely to be many more destructive revelations to come.

Struggling to appease the private sector

The government led by President Michelle Bachelet last week unveiled a programme of 22 measures aimed at boosting the economy. The move came two days after Chile's central bank (BCCh) announced that it was revising down its growth figures for 2016 – the latest sign of a continued slowdown caused in part by the fall in international copper prices, Chile's main export. The leftist Nueva Mayoría coalition government claims that the latest stimulus measures were the fruit of negotiations with the private sector. However, the move comes amid strained relations with the private sector as the government attempts to pass a new labour reform – one of Bachelet's key policy priorities.

Finance Minister Rodrigo Valdés announced the 22 measures on 30 March, flanked by the economy minister Luis Felipe Céspedes and deputy finance secretary Alejandro Miccom. Worth a total of US\$8bn, the initiative comprises three main planks: expanding finance; promoting the export of services; and simplifying procedures for enterprise and investment. Without providing specifics, Valdés said that three of the measures were already in the process of being implemented; nine were being finalised via administrative means; and 10 were undergoing legal modifications.

In its report on the first quarter of 2016, released on 28 March, the BCCh forecast GDP growth of between 1.25% and 2.25% for 2016, down from 2.0%-3.0% forecast in its previous quarterly report released in December 2015. In its March report, the BCCh also expects growth to rise to between 2% and 3% in 2017. The latest BCCh figures for Chile's Imacec (the monthly economic activity index which incorporates around 91% of the goods and services included in the country's GDP measure), released on 5 April, showed growth of 2.8% in February 2016 compared with the same month in 2015, bringing the 12-month rate to 1.9%. The latest (January 2016) report by the United Nations Economic Commission for Latin America and the Caribbean (Eclac) puts Chile's GDP growth at 2.0% in 2015, up from 1.9% in 2014.

While the government hailed the February Imacec figures as better than expected, in his statement announcing the 22 measures, Valdés acknowledged that "economic growth has been relatively disappointing in the last few years and also in the last few months". He added that, "the external situation is not looking good, but it is out of our control. There are things we can do internally to grow more: let's do them. Those we can control".

Bone of contention

While likely to welcome the government's latest attempt to boost the economy, the private sector is considerably less enthused over its efforts to pass a proposed labour reform bill which will strengthen trade unions. Among other things, the initiative makes it obligatory for large and medium-sized companies and voluntary for small businesses to negotiate with workers from trade unions across companies; forbids the replacement of striking workers, except to ensure continuity of "basic services"; and ratifies the right of unions to information in order to better negotiate.

A mixed legislative commission approved the labour reform on 5 April following its ratification by the senate and lower chamber in March. At the time of writing, the final version was due to be voted on in both houses. The umbrella trade union Central Unitaria de Trabajadores (CUT) [WR-16-11] had initially objected to a change introduced by the senate which struck out the provision requiring large and medium-sized companies to negotiate with workers from trade unions across companies (*see box*). However this was amended by the mixed commission and the final version was well

Popularity

The most recent monthly survey by pollster Cadem, published on 28 March, put President Bachelet's approval at 24%, the lowest since September 2015. The Cadem survey, which interviewed 2,836 people and had a 1.8% margin of error, showed that the worst ranked areas of government were anti-corruption efforts (8%), followed by efforts to combat delinquency (11%).

Debts

On 29 March Bolivia's senate president, José Alberto Gonzales, said that a study by Bolivia's national meteorological service (Senamhi) showed that Chile's debt for its use of Silala waters amounts to US\$1bn.

received by the Partido Comunista de Chile (PCCh), a CUT ally and member of the Nueva Mayoría. PCCh Deputy Lautaro Carmona said that it "responded to the expectations" of CUT affiliates.

Private-sector organisations continue to come out strongly against the initiative. On 5 April Alberto Salas, the president of the Confederación de la Producción y del Comercio (CPC), which groups together businesses in the industrial, mining, banking, agricultural, and retail sectors, described the reform as "bad", complaining that it only served "to strengthen the rights of unionists".

Protests

Thousands of people took to the streets in Santiago and across the rest of the country on 22 March in protests organised by CUT against the proposed labour reform bill. More than 10 unions took part including the national teachers' union, Colegio de Profesores de Chile; the journalists' association, Colegio de Periodistas de Chile; and the health workers' union (Fenpruss). CUT figures cited by the local press put turnout at more than 100,000 in Santiago with another 50,000 across the rest of the country.

CHILE-BOLIVIA | DIPLOMACY

Morales revives an old complaint

Bolivia's President Evo Morales has begun a new offensive against the Chilean government led by President Michelle Bachelet. On 23 March, the national Day of the Sea when Bolivia commemorates the 1879-1883 War of the Pacific in which it lost its oceanic outlet, Morales announced plans to take a new case against Chile before the International Court of Justice (ICJ) at the Hague. Bolivia filed a case in 2013 over Chile's obligation to negotiate access to the Pacific, and the latest case, which the Morales government has yet to formally present, is over the Silala River which has its source in Bolivia's Potosí department but flows across the border into Chile. Cynics have been quick to accuse Morales of seeking to distract from domestic woes – most notably the ongoing scandal involving his one-time lover Gabriela Zapata who is currently in prison for alleged corruption [WR-16-09].

While Chile argues that the Silala is a transboundary river governed by international water law, Bolivia maintains that it is an entirely Bolivian watercourse, fed by a number of springs, that was diverted into Chile as a result of a canal constructed by the Antofagasta (Chile) & Bolivia Railway Company, later Ferrocarril de Antofagasta a Bolivia (FCAB), under a 1908 concession.

Long a bone of contention, the Silala issue formed part of the 13-point bilateral agenda agreed in 2006 under the first Bachelet government (2006-2010), aimed at repairing diplomatic ties. In 2009 the two countries reached a partial agreement which established that Bolivia owns at least 50% of the river, with the remainder to be subject to a four-year study. However the agenda fell by the wayside as bilateral relations deteriorated, culminating in Bolivia's decision to go before the ICJ in 2013.

With Bachelet's popularity also low (*see sidebar*), the Nueva Mayoría government has responded swiftly to the latest challenge from Bolivia. In a 23 March statement Chile's foreign minister Herald Muñoz was emphatic that "Chile does not accept threats or dialogue with conditions" and stated that Chile "can also take legal actions against Bolivia in international courts". On 28 March Muñoz, together with Chile's Director of Borders and Limits, Ximena Fuentes, met President Bachelet to discuss a possible claim by Bolivia. It is worth recalling that the Morales government remains optimistic about its chances regarding the case it has already filed following an ICJ ruling issued in September 2015. In that ruling, the ICJ rejected an appeal by Chile and found that it had jurisdiction to hear Bolivia's case [WR-15-39].

PRI up to old tricks?

Political chicanery

Andrés Sepúlveda told *Bloomberg Businessweek* that his team had programmed computers to make tens of thousands of calls with pre-recorded phone messages at 3 am in the closing stages of the gubernatorial elections in the state of Jalisco in 2012, purportedly from the left-wing Movimiento Ciudadano candidate Enrique Alfaro Ramírez, to anger voters. Alfaro Ramírez narrowly lost the elections to the PRI incumbent Jorge Aristóteles Sandoval by four percentage points. In the Tabasco gubernatorial race, Sepúlveda “set up fake Facebook accounts of gay men claiming to back a conservative Catholic candidate representing the PAN, a stunt designed to alienate his base”. The PRI lost its 83-year stranglehold on Tabasco, however, to the PRD’s Arturo Núñez Jiménez.

A Colombian ‘hacker’ has taken centre stage in the campaign for gubernatorial elections in 12 of Mexico’s states due in less than two months. In an incendiary article published by *Bloomberg Businessweek* on 31 March, entitled ‘How to hack an election’, Andrés Sepúlveda claimed that he had been hired to return the Partido Revolucionario Institucional (PRI) to power in Mexico in 2012 after 12 years in opposition, using a budget of US\$600,000 to spy on, steal from, and smear political rivals. The article elicited a swift riposte from the Mexican presidential office, which is testament to the seriousness of the allegations, especially given President Enrique Peña Nieto’s avowed commitment to transparency and insistence that the PRI is not the unreconstructed and antediluvian anachronism portrayed by the opposition but a modern, reformed party prepared to stick to the rules of the game.

Sepúlveda made his name (an unwanted development for a ‘hacker’) in an electoral scandal in May 2014 in his native Colombia. Just weeks before President Juan Manuel Santos was due to stand for re-election, Sepúlveda was accused of carrying out illegal wiretapping of the peace talks in Cuba, including members of the negotiating teams, and hacking into the president’s emails. His task was to try and unearth information that could damage Santos for the campaign manager of the right-wing presidential candidate Óscar Iván Zuluaga.

Sepúlveda told *Bloomberg Businessweek* that this was merely one ‘job’ and that he had “rigged elections throughout Latin America for almost a decade”, with Mexico 2012 being by far the largest and “most complex”. He said he had mostly worked for the political consultant Juan José Rendón, who has been involved in myriad electoral campaigns in the region over this time-frame. Rendón said he knew of Sepúlveda but had only used him for website design and nothing “illegal”; the PRI, meanwhile, said it had no knowledge of Rendón ever working on any of its campaigns, something he says he has been doing since 2000.

Sepúlveda alleged that his team installed malware in routers in the campaign headquarters of Peña Nieto’s main rivals – the PRD’s Andrés Manuel López Obrador and the PAN’s Josefina Vázquez Mota – for spying purposes, and, according to *Bloomberg Businessweek*, also employed the “digital dark arts” to sabotage the campaigns of rivals of PRI gubernatorial candidates (see sidebar). The presidential press office maintained that Peña Nieto’s campaign had been “planned, directed and executed” by the PRI “in accordance with the guidelines and restrictions established in the prevailing electoral legislation”. Whatever the truth of the matter, any suggestion that the PRI is up to dirty tricks again always touches a raw nerve with the right-wing Partido Acción Nacional (PAN) and the left-wing Partido de la Revolución Democrática (PRD) because of the party’s past practices.

The PAN leadership reacted to the article by calling for the federal attorney general’s office to conduct an urgent investigation into the allegations: “in the event of these crimes being confirmed, they simply cannot be allowed to go unpunished”. The PAN said it “rejected any illegal practices used in elections and would be very attentive...in future elections”. These are approaching fast in the form of 12 gubernatorial elections on 5 June, the outcome of which could provide a springboard to the presidency in 2018.

South Korea

At the XXIII Mexico-South Korea business committee meeting in Mexico City, Mexico's Economy Minister Idelfonso Guajardo Villarreal highlighted the importance for both countries to "identify opportunities, particularly in the food sector, but also to strengthen industrial trade in the car industry and the health sector, and promote investment in infrastructure and environmental protection". "We are ready to start the negotiations for a bilateral agreement that could open the doors to a market of over 50m people to Mexico.... Trade openness is the factor that boosts both economies' integration to the world," Guajardo said. According to Guajardo, Mexico's exports to South Korea, primarily consisting of food products, have increased steadily in recent years. He noted that South Korea's annual investment flows into Mexico have increased 24 fold since 2000.

MEXICO | Cutting 2017 spending. On 1 April Mexico's finance ministry (SHCP) released a new report announcing that it plans to cut public spending by M\$175bn (US\$10.081bn) in 2017 following the US\$7.617bn cut announced on 17 February. According to the report, these cuts are to be implemented due to the current adverse international economic scenario. "Some risks arose or intensified in the last few months," the SHCP report notes, adding that "the environment in 2016 is characterised by episodes of high volatility in the financial markets, important decreases in commodity prices, divergences in the monetary policies of advanced economies, uncertainties about the economic growth of emerging economies, and possible economic consequences related to the increase of geopolitical conflicts". In addition, the report says that the 2016 budget identified efficiency opportunities in public expenditures and that "thanks to new motors of investment in infrastructure, it will be possible to implement this budget adjustment while maintaining an important flow of investment in strategic sectors". The SHCP is projecting domestic economic growth in 2017 of between 2.6% and 3.6%.

MEXICO | FTA negotiations with South Korea. On 4 April Mexico's economy ministry (SE) released a statement saying that negotiations concerning a free trade agreement (FTA) with South Korea will start in the last quarter of 2016. The announcement came during the official visit by South Korea's President Park Geun-hye to Mexico on 3 and 4 April. In a joint press conference with President Enrique Peña Nieto following their 4 April private meeting, President Park announced that the two had signed 17 economic cooperation agreements in the areas of technology and innovation, tourism, health and financial oversight. But noting that Mexico is South Korea's top trading partner in Latin America, Park said that there is "great potential to increase trade and investment ties further".

Park and Peña Nieto then agreed to hold consultations over a new bilateral FTA this year as well as to discuss ways in which Mexico could help South Korea join the Trans-Pacific Partnership (TPP) trade bloc of which Mexico is a founding member. The two leaders said that the FTA would serve to boost bilateral trade which has grown from US\$4bn in 2000 to US\$17.5bn in 2015.

CENTRAL AMERICA & CARIBBEAN

PANAMA | POLITICS

Varela's transparency claims ring hollow

Panama is under unprecedented pressure to "put its house in order" vis-à-vis fiscal transparency following the biggest leak of secret information in history – some 11.5m financial and legal records exposing the internal operations of the locally headquartered Mossack Fonseca, one of the world's leading law firms dedicated to the incorporation of offshore entities. As well as causing discomfort to regional leaders such as Argentina's President Mauricio Macri, who features on the list of "power players" implicated, the so-called *Panama Papers* have caused embarrassment to the government led by President Juan Carlos Varela, raising major doubts over his claims of progress vis-à-vis fiscal transparency.

Released on 3 April, the *Panama Papers* are the fruit of a year-long investigation by the German daily *Süddeutsche Zeitung*, the International Consortium of Investigative Journalists (ICIJ) and more than 100 other news organisations. Revealing a system that "enables crime, corruption and wrongdoing", Mossack Fonseca's leaked internal files contain information on 214,488 offshore entities connected to people in more than 200 countries and territories. The records expose the offshore holdings of 12 current and former world leaders and provide details of the hidden financial dealings of 128 more politicians and public officials around the world.

EU blacklisting

In June 2015 the European Union (EU) included Panama in its first ever list of tax havens. The list includes 28 other jurisdictions that have been blacklisted by at least 10 EU member states.

The international media cites the company's director, Ramón Fonseca, as denying any wrongdoing. Fonseca has lodged a criminal complaint with prosecutors over the data breach, telling international reporters that "we have a technical report that we were hacked by servers abroad".

On 6 April President Varela announced that through the foreign ministry, his government would create an independent committee of national and international experts to evaluate current working practices and propose new measures aimed at strengthening the transparency of the national financial and legal systems. He has yet to announce who the members of the committee will be. Varela has defended his government's record on transparency. In a 4 April press release he said that since taking office in July 2014, his government has "demonstrated an absolute commitment to transparency in legal and financial services". He cited as evidence of this the February 2016 decision by the Paris-based Financial Action Task Force (FATF), the international organisation dedicated to combating money laundering, to remove Panama from its 'grey list' of countries with inadequate provisions in place to combat money laundering and financing of terrorism.

While Panama was included in the FATF's grey list in June 2014, its removal followed steps taken such as the approval of an April 2015 law (Ley 23) aimed at strengthening fiscal transparency. The law includes provisions that would adequately criminalise money laundering and terrorist financing; establish and apply a legal framework for freezing terrorist assets; establish an effective and functioning financial intelligence unit; create suspicious transaction reporting mechanisms for all financial institutions; and launch due diligence mechanisms to encourage transparency. In the same 4 April press release, Varela also said that, in January 2016, new rules took effect limiting the use of bearer shares in the country.

Varela's claims regarding progress have been met, however, with considerable scepticism. In a 4 April press release, the Organisation for Economic Co-operation and Development (OECD) called on Panama to "immediately implement" international tax transparency standards, recalling that "just a few weeks ago we told G20 Finance Ministers that Panama was backtracking on its commitment to automatic exchange of financial account information". This was an allusion to a progress report released at the end of February 2016 to G-20 finance ministers by the Global Forum on Transparency and Exchange of Information.

According to the progress report, while in November 2015 the Global Forum (the world's leading multilateral body within which work in the area of transparency and exchange of information for tax purposes is carried out) reported that Panama had committed to the new international standard on Automatic Exchange of Information (AEOI), "this is no longer the case". The same report notes that "the Global Forum has engaged extensively with Panama but it has been made clear that Panama cannot commit to the Standard on par with the rest of the committed jurisdictions".

'Power players'

With the full list of names yet to be released, the 'power players' named in the *Panama Papers* include just one Latin America leader – Argentina's President Macri (see page 7-8). Other leaders also facing discomfort include Mexico's President Enrique Peña Nieto, whose "favorite contractor", Juan Armando Hinojosa, was named. Peña Nieto has already courted controversy over his connections to Hinojosa following an influence-peddling scandal which broke in late 2014 [WR-15-04], although he was exonerated the following year, along with First Lady Angélica Rivera and finance minister Luis Videgaray. The full list of findings, which also mentions public figures from Argentina, Brazil, Ecuador, Venezuela, Honduras, and Peru, is due to be released in early May.

POSTSCRIPT

Quotes of the week

“It is a legal operation. Let’s not mix things up: there are others who use tax havens to conceal ill-gotten wealth...I did nothing wrong. I am very relaxed.”

Argentina’s President Mauricio Macri.

“[Donald] Trump is a venom-spitting psychopath. It would be a disaster if he were the Republican candidate. We would live through a political campaign of manure-slinging during which he would endeavour to bring out the worst in the most racist sector of society, radicalising it even more and empowering it.”

Mexican federal deputy Gustavo Madero on Trump’s latest plan to block remittances to pay for his border wall.

“And this is just the start.”

El Salvador’s public security minister, Mauricio Ramírez Landaverde, on the government’s ‘extraordinary measures’ to combat violent crime.

Cracking down on El Salvador’s mara gangs

It takes something exceptional to get all of El Salvador’s political parties to vote unanimously to approve any legislative initiative. This rare occurrence took place on 1 April when deputies voted on a decree sent by President Salvador Sánchez Cerén as part of his promised “extraordinary measures” to reduce soaring levels of violence in the country. The decree aims to tighten security in El Salvador’s prisons to stop killings being ordered from inside by severing the link between the imprisoned leaders of the Mara Salvatrucha (MS-13) and the two factions of Barrio 18 (Revolucionarios and Sureños), and the rank-and-file outside.

The government wasted no time in implementing the new decree, which will be in force for a year. On 3 April government technicians disconnected four radio masts to cut the mobile signal to nearby prisons. Telecommunications companies that fail to cut the service around the periphery of prisons face a potential fine of US\$750,000 per day.

The government has declared a state of emergency in seven out of the country’s 21 prisons composed of mainly mara inmates. It also unveiled a new model of inter-institutional cooperation. Prison directors will henceforth coordinate all security issues with a representative of the national police force (PNC).

The government ordered the transfer of 299 mid-level gang leaders identified as playing a lead role in ordering killings from inside to Quezaltepeque jail in San Salvador, where they have been placed in isolation cells, with severely restricted visits. They are believed to have taken over the role of the top leaders of the mara gangs who were transferred to Zacatecoluca maximum security jail in April 2015.

Defiant mara leaders announced a 72-hour unilateral ceasefire on 26 March, days before these measures were implemented, to demonstrate that they can control the level of violence in El Salvador. It had an immediate impact. The average murder rate on the three days from 26 to 28 March was 9.3, or ‘just’ 28 murders in three days, a 60% fall on the average of 22.8 over the first 25 days of the month.

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