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## Argentina's Macri in race against time

Argentina's President Mauricio Macri had it all carefully planned out. Implement all the economic shocks well within the first six months of his term in office, which began last December, and wait for the economy to pick up and inflation to come down in the second half of 2016. Events of the last week show that neither the political opposition nor the country's powerful trade union movement is prepared to give him the time he needs. This leaves Macri trying to stave off efforts by the main opposition Partido Justicialista (PJ, Peronists) to push through the federal congress a bill to prevent public and private sector dismissals, as well as maintaining a wedge between the five main trade unions mooting unification. Failure on either front would provide a serious setback for his government.

Trade unions organised a large demonstration in the city of Buenos Aires on 29 April against price increases and the mass layoff of public officials. Trade unions always stage a march to mark International Workers' Day every year so in that sense it would not have disturbed President Macri unduly. But what will provide him with cause for concern are the tentative signs that the trade union movement, currently split into five main unions, could be moving towards reunification. This was certainly how Hugo Moyano interpreted the march. "This is a historic demonstration that has brought together five trade unions into which the union movement is divided," said Moyano, the secretary general of CGT-Azopardo (one of three union factions within the main Confederación General de los Trabajadores [CGT]). "We cannot govern jointly but we should be consulted," Moyano added.

Antonio Caló, the head of the Central de los Trabajadores de la Argentina (CTA), Argentina's other main trade union (which is split into two factions), also participated in the demonstration, which he insisted was "not an act against the government but for the rights of workers, the unwarranted increase in the basic basket of goods". Caló said prices had leapt by more than 60% while salaries remained unchanged: "One million people have fallen into poverty in the last four months".

Caló warned that if the federal lower chamber approved an 'anti-dismissal' bill, and then Macri decided to veto it then the trade union movement would "come out and fight on the streets" and stage a general strike. The Frente para la Victoria (FPV, Kirchneristas) faction of the PJ pushed the 'anti-dismissal' bill through the senate, where it has a large majority, on 27 April, in response to the streamlining of the state by the Macri administration, which has led to thousands of public sector dismissals. The bill would outlaw the dismissal of workers "without just cause" and enable those who have lost their jobs to win double compensation. Macri argues that the bill would deter much-needed investment and is trying to marshal support to block it so that he does not have to resort to his veto.

## Macri and Massa

Speaking during a press conference from the Casa Rosada presidential palace on 3 May, President Macri personally appealed to Sergio Massa and the rest of the opposition not to accompany Kirchnerismo by supporting the 'anti-dismissal' bill, going so far as to hold Massa responsible should the bill advance in the lower chamber. Massa wants the government to back his party's proposals for small and medium-sized enterprises (SMEs). He advocates that SMEs with fewer than 40 employees that have maintained or enlarged their workforce since last December should receive a tax break: if they create more jobs they would be entitled to receive one living minimum wage per new employee, and if that employee is under 25 or older than 50 then one and a half minimum wages.

Deputy Sergio Massa, the leader of the dissident PJ faction Frente Renovador (FR), has agreed to grant the government the FR's support, which would be crucial, in exchange for its backing for his party's job creation proposals. The FR wants small and medium-sized enterprises (SMEs) that have maintained the workforce they had when Macri took office and removed currency controls to receive tax breaks and other incentives, such as priority consideration for productive credit and when competing for government contracts (*see sidebar*).

Speaking on International Workers' Day in the northern province of Tucumán, Macri said the 'anti-dismissal' bill was "a mistaken policy" that would "destroy work", adding that his government was committed to creating genuine jobs through investment. He accused the previous government led by Cristina Fernández (2007-2015) of failing to create "quality work" in the country for five years, being intent instead on concealing unemployment through "useless jobs in the public sector" for "clientelist purposes".

The march was a warning shot for Macri to ignore the trade unions and their demands at his peril. He reacted by reaching out to the unions by saying he would like to be seated around a table with them on a frequent basis discussing specific issues. But Moyano's claim that the five unions are close to uniting is disingenuous. There is considerable mutual enmity between their respective leaders. Luis Barrionuevo, the leader of CGT Azul y Blanco, did not take part in the march, for instance, denouncing the presence of former Kirchnerista officials, and the head of the powerful retail union, Armando Cavalieri, was also conspicuous by his absence.

The Macri administration has so far used delaying tactics to keep the 'anti-dismissal' bill from reaching the lower chamber. It reckons on needing about two more months before inflation falls and the economy revives, although this sounds optimistic in the case of the former and the latter will be complicated by the huge political and economic uncertainty in Brazil (*see page 3-5*). Inflationary pressure continues to build, with the government implementing the fourth fuel price increase since last December (31% in total) on 2 May.

Meanwhile, the PJ is trying to rebuild itself as a coherent opposition. PJ federal deputy José Luis Gioja, who was governor of San Juan from 2003 to 2015, will assume the presidency of the party on 8 May with Daniel Scioli, the former governor of Buenos Aires province who lost the presidential elections to Macri last year, as his vice-president. During an event attended by PJ governors, legislators, mayors, union representatives and social organisations this week, Gioja criticised the Macri administration for "choosing the path of adjustment" and showing "a lack of sensitivity and social justice". While Gioja sees eye to eye with the FPV on this matter, the fact that La Cámpora, the militant youth wing of Kirchnerismo, was not present shows that the PJ is far from united yet.

For Macri to maintain the divisions within the trade union movement and the PJ he needs to retain popular support, which underscores the importance of reining in inflation within the next few months. If Macri can get inflation under firm control by the first half of next year and economic recovery firmly underway, the ruling Cambiemos could cash in when it comes to federal congressional elections on 27 October 2017. These elections will see half of the lower chamber of congress (127 seats) renewed and one-third of the senate (24 seats). Cambiemos has especially weak representation in the senate, with just 16 seats to 42 for the FPV, but this will change if Macri is successful. Buenos Aires province, which is governed by Cambiemos, will be electing new federal senators, along with the northern provinces of Formosa, Jujuy, La Rioja, Misiones, San Juan and San Luis, which cynics might feel goes some way to explain Macri's grand plan for developing the north of the country.

**Rousseff reaches the end of the line**

In another setback to President Dilma Rousseff's slim chances of remaining in office, on 4 May the lead reporter on the impeachment commission in the federal senate recommended that she face trial. Senator Antônio Anastasia, from the opposition Partido da Social Democracia Brasileira (PSDB), told the commission that the charges against Rousseff were serious enough to merit her removal from office. The commission is expected to vote overwhelmingly on 6 May to send Anastasia's recommendation to the senate's plenary. Fifty-one senators have already expressed their willingness to put Rousseff on trial: to do so only requires a simple majority of the 82 members of the upper house.

**Janot's charges**

The latest blow follows the request by the federal attorney-general, Rodrigo Janot, for the supreme court (STF) to investigate charges of obstruction of justice by Rousseff over her attempt to appoint former president Lula da Silva (2003-2011) as her cabinet chief. The move was widely interpreted as a ploy to ensure that Lula avoided prosecution.

Janot also filed charges against Lula, accusing him of playing a key role in the corruption scandal at the state-run oil company Petrobras. Janot accused a total of 30 high-ranking politicians and political advisers, from both the government and the opposition, on 3 May, but significantly, the charges against Vice-President Michel Temer were dropped.

If the STF accepts the charges against Lula he will become a defendant in the 'Operation Car Wash' investigation. Lula faces separate charges over his acquisition of two properties, believed to have been gifted to him by construction companies implicated in the Petrobras corruption scheme. That investigation is currently lodged with Judge Sérgio Moro but, for the moment, the STF has suspended the case. Janot's latest accusations are incendiary: he says that "the criminal organisation [inside Petrobras] could not have functioned for so many years and in such a wide-ranging and aggressive way within the sphere of federal government without the participation of former president Lula."

Lula is also accused of direct participation in the attempt to buy the silence of Nestor Cerveró, the former Petrobras director. So far, the first sitting senator to be jailed over 'Operation Car Wash' is Delcídio do Amaral, from the ruling left-wing Partido dos Trabalhadores (PT), following an audio recording of him offering Cerveró cash and a plane to leave Brazil to avoid testifying in the investigation. Amaral has since offered plea-bargaining testimony that has implicated both Lula and Rousseff. The Lula Institute has issued a forthright denial of Janot's claims. Janot has also accused the cabinet ministers José Eduardo Cardozo, Jaques Wagner, Edinho Silva and Ricardo Berzoini of playing a central role in the scheme.

**Neves**

On 3 May, Janot also requested authorisation from the STF to investigate Aécio Neves, the leader of the PSDB, over allegations that he received bribes from the state-run electricity company, Furnas. Janot also alleges that Eduardo Cunha, the speaker of the federal lower chamber of congress, was "one of the leaders of the criminal cell" that operated inside Furnas. Renan Calheiros, the president of the federal senate, is also accused of taking bribes from the Belo Monte hydroelectric plant.

**No help from abroad**

President Rousseff says that she will appeal to both the Union of South American Nations (Unasur) and the Southern Common Market (Mercosur), requesting that Brazil be suspended from both organisations for violating their "democracy clauses", in the event of her impeachment. However, the president has already received an emphatic "no" from Unasur (with Bolivia and Venezuela the exceptions). Mercosur is expected to follow suit.

## Cabinet

Michel Temer is also studying the possibility of reducing the number of cabinet posts from 32 to perhaps as few as 24. He is reportedly considering merging some of the ministries, such as foreign trade into the foreign office, Itamaraty. This beefed up foreign affairs position is being offered to José Serra, the PSDB federal senator.

It has been a busy week for Janot. On 5 May he requested a further investigation at the STF into Neves over his role in doctoring the accounts of Banco Rural, during the congressional inquiry into the financial institution as part of the *mensalão* cash-for-votes scandal that almost brought down the Lula government. Alongside Neves, Janot also accused Carlos Sampaio, a PSDB federal deputy, and Eduardo Paes, the mayor of the city of Rio de Janeiro from the Partido do Movimento Democrático Brasileiro (PMDB).

### Temer off the hook

Notably, however, Temer is absent from Janot's accusations, despite the fact that Amaral's testimony appeared to tie him to an illegal ethanol purchasing scheme. Investigators also recently disclosed that Temer received a payment of R\$5m (US\$1.4m) from OAS, one of the engineering companies implicated in 'Operation Car Wash'. Temer says it was a legitimate donation.

Separately, the regional electoral court of the state of São Paulo threw a spanner in the works of Temer's otherwise smooth ascension to the presidency by arguing that his campaign donations in the last election were above the legal limit. This means that, in theory, he should be barred from public office for the next eight years, and should have to pay a fine. However, the court has since clarified that the punishment only applies to future mandates: as Temer's elevation to the presidency is considered part of his current mandate the judgment would only affect him in 2018.

### "Privatise everything"

A document leaked to the press last week that is reportedly to form the basis of a future Temer government asserted that the new administration would embark on a programme of privatisation. Entitled 'The Social Crossing', the document argues that "the state should transfer to the private sector everything possible as regards infrastructure. Concerning the competencies that the state should reserve for itself, it is essential that its relations with private contractors be regulated by new legislation."

The 17-page manifesto outlines ideas for public-private partnerships in education, health, social benefits and the economy. Private investment is considered essential to resolve "the greatest crisis in history". The document envisages the continuation of 'Operation Car Wash', and plans to make the individuals who run state companies more directly responsible for their organisations' actions.

As regards social programmes, the document promises to maintain Bolsa Família (the conditional cash transfer); Minha Casa Minha Vida (the social housing programme); and Pronatec (the educational programme), though Temer's team has indicated that it will be refocused on the very poorest in Brazil.

### Cunha's time up?

Meanwhile, the STF is due to rule on a request to remove Cunha as the speaker of the house on 5 May. Cunha faces multiple charges of corruption and is already a defendant at the STF. In the latest opinion poll, 77% of Brazilians believe he should be removed from office, a much higher percentage than those who support the impeachment of Rousseff (61%) or Temer (58%).

The ruling may see Cunha removed from the line of succession, meaning that he will no longer become Brazil's effective vice-president in the likely event of Temer assuming power. Most analysts, however, believe that at this stage it is still unlikely that the court will remove him from his powerful position as speaker, even if he will no longer be next-in-line to the presidency.

## Controversial ministerial picks

Marco Antônio Cabral, the 25-year old son of the former governor of Rio de Janeiro, Sérgio Cabral, is tipped to be the sports minister in a future Michel Temer government. If confirmed, he would be the youngest Brazilian minister since the return to democracy. Marcos Pereira, the president of the Partido Republicano Brasileiro (PRB) and a bishop in the evangelical Universal Church, is tipped to be the new minister of science and technology. He is a creationist.

## Rousseff's parallel government

There are serious question marks over what will happen to President Rousseff in the event that she faces an impeachment trial. Senate president Renan Calheiros is due to address some of these doubts over the next few days. One rumour circulating in Brasília suggests that once Rousseff is removed for up to 180 days, probably starting on 11 May, she may try to form a 'parallel' government with her former cabinet ministers still on the federal payroll. Rousseff's former ministers would have the right to four months' gardening leave with full pay while they look for a new job.

However, such an outcome would depend on her ministers retaining a degree of faith that Rousseff will secure the support necessary to beat the impeachment charges. Already, there are indications that her close allies are sending out discreet signals looking for other job opportunities.

## TRACKING TRENDS

**CHILE | Infrastructure fund.** On 3 May the government led by President Michelle Bachelet announced that it had sent to congress a bill calling for the creation of a new 'infrastructure fund' designed to boost the domestic construction sector and the weak national economy. In presenting the bill Bachelet explained that "the infrastructure fund will be a new dynamic tool... that will continue to boost our country's development". She went on to say that the initiative also calls for the creation of a new public entity that will be in charge of managing the fund, as well as the approximately US\$9bn in concessions that the government has awarded in recent years and that are close to coming to an end.

Bachelet's finance minister, Rodrigo Valdés, said that the idea was that in time the new entity would manage sufficient funds so as to be financially stable and develop its own projects. "When a concession expires, that has value, and today we are not taking advantage of that in Chile, and we want to take advantage of that in order to attract more investment to the construction and public works sector".

Valdés added that the new entity would be a public limited company whose shares will not be transferrable but that will be supervised by the local securities superintendence (SVS), and on whose board the government would be represented by the finance and public works ministers.

The initiative comes as Chile's domestic economy continues to show signs of slowing down and after the national construction chamber estimated that the country would need to invest US\$51bn in infrastructure development in the next 10 years.

**URUGUAY | Brou chief resigns.** The president of Uruguay's largest bank resigned this week. Julio César Porteiro did not make it explicit why he had tendered his resignation as the head of the Banco República Oriental de Uruguay (Brou), a position he assumed in April 2014, but he implied that it was because of a loss of support from the top echelons of government. "In that moment [April 2014] my position owed, fundamentally, to the total support given to me by the president and the vice-president," Porteiro said.

Porteiro was appointed to head the Brou after the resignation of Fernando Calloia. Calloia resigned after the organised crime judge Adriana De los Santos formally charged him and the former economy & finance minister Fernando Lorenzo with "abuse of powers" for irregularities surrounding the liquidation of the flagship carrier Pluna.

Porteiro had close links with Vice-President Danilo Astori, with whom he had a consulting firm that was wound up by the military dictatorship (1973-1985). His departure will not herald a loss of influence for Astori though. The new president of the Brou will be Jorge Andrés Polgar Pisano, who has worked in various positions within the economy and finance ministry (MEF) since the left-wing Frente Amplio (FA) coalition came to power in 2005, and is close to Asamblea Uruguay, Astori's party.

## Venezuelans join a political queue

The sheer volume of people queuing up last week to sign petition forms for a recall referendum against President Nicolás Maduro surprised even the main opposition coalition, Mesa de la Unidad Democrática (MUD). The turnout gives the government added incentive to stymie the process.

First thing on 2 May the MUD submitted 1.85m signatures to the national electoral council (CNE) in request of a recall process. After a signature drive lasting a few short days, the MUD ended up with almost 10 times the number required (of just over 197,000, or 1% of the registered electorate).

CNE rector – currently working two days a week as part of the government’s official energy saving measures – initially appeared at odds as to when to begin the verification process, with one, Tania Damelio, suggesting that the CNE should wait until the official 30-day signature collection period had lapsed before commencing its count. Her colleague, Luis Rendón, countered that verification should start immediately. In the end, the CNE decided to start the process on 5 May. As per its own regulations, once the CNE starts it must finish within five days. However, seeing as the electoral authority, along with the rest of the public sector, currently works only Mondays and Tuesdays, there was some confusion as to how long the verification would take, with some calculating that it could take until the end of May. But according to Henrique Capriles Radonski, leader of the moderate opposition party Primero Justicia and the chief proponent in the MUD of the recall referendum, CNE regulations in fact specify five ‘continuous days’, meaning that the process *should* (in theory) be complete by 10 May.

The Maduro administration has dispatched a ‘presidential commission’ to verify the verification process. This is headed by Jorge Rodríguez, the bullish mayor of the main Caracas municipality of Libertador, along with the *Chavista* constitutional lawyer Hermann Escarrá, and Jacqueline Faría and Héctor Rodríguez, two senior members of the ruling Partido Socialista Unido de Venezuela (PSUV). Jorge Rodríguez, also the PSUV’s chief electoral officer, stated that the commission intended “to protect the constitution, peace and democracy”, without elaborating. Notwithstanding the fact that the CNE – as a nominally independent electoral authority – is the sole agent authorised to verify the signatures, the longstanding CNE president Tibisay Lucena appeared to welcome this offer of assistance.

The 1999 constitution allows elected officials to be recalled halfway through their six-year term, i.e. between the third and fourth years. If they are recalled at any point in the third year, new elections must be held; if recalled beyond it, the vice-president takes over and sees out the rest of the term. Maduro was elected and took office in April 2013, in a snap ballot held after his predecessor Hugo Chávez succumbed to cancer weeks earlier (on 5 March 2013). Following re-election in November 2012, Chávez had begun his (sixth straight) term following 10 January (2013), which the constitution specifies as the official start date of the presidential term. To be safe, the MUD is taking that date as its cut-off point for the start of the fourth year of the current term (rather than assuming that it falls in April 2017). Given what the polls are indicating (*see sidebar*), the government would like to delay any referendum past the date at which a successful ballot would trigger new elections. And it has all the legal means at its disposal to do so in such a way that will leave the MUD with precious little argument.

### Popularity

In a new Datanálisis poll released on 4 May, over two-thirds of respondents, 68.9%, said that President Maduro should quit office this year or be removed by recall referendum, up from 63.6% in February. And well over half, 57.3%, said that they would vote in the affirmative in a recall, up from 52.1% in February. Nonetheless, Maduro’s approval rating was still at 26.8%, over a quarter of the population. While this was down from 33% in February, it remains higher than most other regional leaders, including Colombia’s Juan Manuel Santos, Brazil’s Dilma Rousseff and even Chile’s Michele Bachelet.

## Minimum wage

Marking International Workers' Day on 1 May, President Maduro increased the minimum wage by 30%, boasting that this was the 12th such increase since he took office in April 2013. He declared that "only the son of Chávez" could have delivered such a high basic wage, nominally among the best in Latin America. Officially, the minimum wage is now BF15,501 per month. At the strongest of the two formal exchange rates, that is US\$1,505. However, at the widely-used black-market rate, trading at about BF1,096/US\$1, it amounts to just US\$14. Moreover, the International Monetary Fund (IMF) projects year-end inflation of over 700% this year, rising to over 2,000% by end-2017.

Despite the MUD's herculean effort to collect and deliver to the CNE's main warehouse 80 boxes with 200,000 pre-sorted and fully scanned forms comprising the 1.85m signatures, no-one in the opposition is too confident about the prospects for the recall referendum this year. Assuming that the CNE verifies the initial batch of signatures without delay, the MUD would then have to collect another 3.9m signatures (20% of the registered electorate) to launch the actual process. Again, the CNE would newly verify all those signatures, after which it would be obliged to organise and hold a referendum within 30 days.

For the referendum to be considered valid, at least 25% of registered voters must turn out. For Maduro to be recalled, the same number or more need to vote in favour of recall as the number that voted to elect him president in April 2013 – 7.58m. In the December 2015 midterm legislative elections, the MUD took 7.7m votes, an all-time record. Effectively, it would have to repeat that to be sure of recalling Maduro. Polls indicate that about 60% of Venezuelans want Maduro to go – but the MUD knows better than to make assumptions based on that.

Moreover, the CNE again would have to validate the referendum vote. As part of this, every citizen giving their signature to the recall process must go in person to an election centre and validate their signature digitally (with a fingerprint). As such, the MUD wants a recall vote held no later than November this year, so as to give the CNE sufficient time for validation (the CNE's own regulations state that any verification process must be 'efficient' and within a 'reasonable' timeframe).

However, the CNE also has another election to organise and hold this year – regional elections to choose governors for Venezuela's 23 states (and the capital district) are due no later than December. The PSUV currently dominates at the state level, with a string of ex and serving military officials holding key governorships; however there is some suspicion that the Maduro government might also seek to delay these elections, for fear of the outcome. The stance of the powerful military governors in particular is something to watch, amid some suggestion that they – rather than the various legal efforts by the MUD – may ultimately dictate whether Maduro stays or goes.

## PERU | POLITICS

### **Kuczynski gets tough on security and corruption**

With fresh opinion polls suggesting that nothing separates Pedro Pablo Kuczynski and Keiko Fujimori ahead of the second round of presidential elections on 5 June, the two candidates are seeking to cover their perceived weak spots while exposing the shortcomings of their opponents. Fujimori has done her level best to distance herself from the authoritarianism of the government of her father, former president Alberto Fujimori (1990-2000), while attacking Kuczynski as being weak on security matters; Kuczynski, meanwhile, has promised to toughen sentences for criminals, especially officials found guilty of corruption, an indirect swipe at Keiko given her father's conviction for embezzling public funds on a colossal scale.

A national survey released by the pollster GfK this week predicted a technical tie, with Kuczynski winning 50.1% of the vote to 49.9% for Fujimori. In a breakdown by area, it suggested Kuczynski would win the south by 47.4% to 32.1%, propped up by the strong anti-Fujimori vote, and central Peru (47.2%-39.2%), while Fujimori would sweep the north of the country (54.6%-33.3%) and the east (45.1%-39.2%). As regards socio-economic categories, Kuczynski would take sectors 'A' and 'B', comprising the country's wealthiest voters, by 64.4% to 26.2% and 'C' (46.4%-40.3%), while Fujimori would win

## 24x24 system

Retired General Eduardo Pérez Rocha, a former director of Peru's national police, was critical of Keiko Fujimori's proposal to re-establish the 24x24 system. "If this is what were to happen it would be like before," Pérez Rocha said. "A police officer could be standing guard over a Chinese restaurant, this creates a bad image for the police, becoming a security guard. My recommendation would be that they are solely authorised to provide services to municipalities, ministries and public places, such as the electric train and metro. This way they would be fulfilling their duties but the other way would erode the principle of authority".

among poorer voters, 'D' and 'E' (49.1%-35.9%). Kuczynski would take Lima (home to over one-third of the electorate) by 48%-41.8%, while Fujimori would win in the interior (43.8%-40.7%).

Fujimori will struggle to make any further impression on voters in the south where hostility to her is greatest, but Kuczynski could extend his margin there if he can win over some of the voters intent on casting blank or spoiled ballots (at 20% the highest number in any area in Peru). He will also try to persuade some of the 600,000 voters who backed the imprisoned former regional president of Cajamarca, Gregorio Santos, in the first round to back him rather than cast blank or spoiled ballots on 5 June, possibly with some gestures on the environment.

Fujimori's lead in the north is unassailable but Kuczynski could trim it. He received a boost in this regard on 3 May. César Acuña, who was expelled from the presidential race during the first-round campaign, announced that he was throwing his weight behind Kuczynski. The former regional president of La Libertad has important backing in urban centres in the northern region, especially its capital Trujillo (the second-most populous city in Peru), where he served as mayor (2007-2014).

The key battleground, however, is the country's capital. If Kuczynski can broaden his advantage in metropolitan Lima, where polls suggest he leads by about six percentage points, it will be decisive. This explains his visit this week to the district of San Juan de Lurigancho, the most populous in Lima with over 1m inhabitants. Kuczynski promised to replace the San Pedro and Castro Castro prisons here with hospitals.

On the issue of prisons, Kuczynski said that he would ensure that "small time criminals" engage in social works and learn a profession rather than "going to the school of crime which is prison". But he also sought to show that it is not just Fujimori who would be tough on public security matters. "We need to have severe penalties for those who are really criminals; cumulative penalties," Kuczynski said, while vowing to punish officials found guilty of corruption with "civil death" (completely barring them from holding public positions).

Kuczynski was indirectly attacking his rival by focusing on corruption and strengthening democracy. Aware that this is her weakest flank, Fujimori has sought to stress her democratic credentials time and time again. "I have been involved in politics for many years and I have always been respectful of the democratic order, I have never given the slightest hint of authoritarianism," she said at an economic forum on 20 April held by the Lima chamber of commerce (CCL) which she was invited to address along with Kuczynski.

The two candidates presented their competing visions for the country at the CCL. It was noteworthy that Fujimori did not mention the so-called '24x24' regime in the national police, under which officers can spend one day working for the force and the next for a private security company, while laying out her public security vision. Days earlier she had promised to restore the 24x24 system on a temporary basis to provide "compensation" for police officers on low salaries, so that they can work as security guards on their days of leave.

The 24x24 system was created in the early 1990s under the Fujimori administration. It was ended last January by the Ollanta Humala administration, with police wages increased significantly across the board at a national level to make it a better remunerated full time job.

Kuczynski said it would be "irresponsible" and "a backwards step" to return to the 24x24 system. "Fujimorismo wants the police to protect banks and pharmacies, and be at the service of business people and not public security," he said.

## Colombia's external debt

On 2 May Colombia's central bank (Banrep) released a report showing that the country's external debt reached US\$111.82bn in January 2016, representing a 7.8% increase compared to January 2015 (US\$103.66bn). According to the report, public sector debt reached US\$67.25bn, from which short-term obligations accounted for US\$670m and long-term obligations for US\$66.57bn. In the private sector, obligations reached US\$44.57bn, from which US\$30.65bn constitute long-term debt and US\$13.92bn represent short-term debt. On the other hand, the report shows that in January 2016, Colombia's external debt represented 41.3% of the country's GDP, a 5.8 percentage point increase compared to January 2015 (35.5%).

## ELN talks suspended over hostages

Peace talks between the government led by President Juan Manuel Santos and the Ejército de Liberación Nacional (ELN), Colombia's second guerrilla group, are off before they have even formally begun. The interior minister, Juan Fernando Cristo, accused the ELN of "living on another planet" after its maximum leader, 'Gabino' (Nicolás Rodríguez Bautista), ruled out releasing all of the group's hostages. This followed the revelation that far from unconditionally releasing a prominent political hostage on 3 April to coincide with the announcement of formal talks with the government, the ELN had demanded an exchange.

The ELN claimed in mid-April that the peace process would begin in Ecuador in May. The government had conditioned the start of talks on the release of ELN hostages but is now demanding that every last one of them be freed beforehand. The tough rhetoric followed the discovery that the ELN had only released the former governor of the northwesternmost department of Chocó, Patrocinio Sánchez Montes de Oca, in exchange for his brother Odín, a former deputy in the lower chamber of congress for the Partido de la U (PU), part of the ruling coalition. Details of the exchange came to light on 28 April when Sánchez told the national daily *El Tiempo* that ELN commanders had informed him that he was going to be released after three years in captivity "sleeping in chains every night" because of a serious deterioration in his health. Sánchez was told he would be swapped with his brother Odín, who in 2011 had been sentenced to nine years in prison for supporting the paramilitary Autodefensas Unidas de Colombia (AUC) but did not serve the full sentence.

Patrocinio Sánchez was mayor of Quibdó, the capital of Chocó, from 2001 to 2003 and departmental governor from 2008 to 2010 when he was sentenced to 18 months in prison by the supreme court for irregularities surrounding public health contracts he signed when he was mayor. He was kidnapped in August 2013, and it was not until more than two years later, in November 2015, that his family received any news about him. This came in the form of a cassette on which he appealed to Odín to move swiftly to try and secure his release as he feared he was dying.

Patrocinio Sánchez did not reveal how the details of the exchange, which took place in the municipality of Atrato, Chocó, close to the estate where he was kidnapped, were struck. The family must have conducted negotiations with the ELN without informing the authorities. Patrocinio Sánchez said he had been instructed not to reveal anything about the exchange upon his return, but after PU Senator Armando Benedetti revealed what had happened, he opened up. Patrocinio Sánchez even maintained that the ELN had informed him that he was kidnapped for economic not political reasons (an admission which he acknowledged would antagonise the guerrillas), but he pleaded ignorance over whether any money changed hands to secure his release.

Denouncing the hostage exchange as "deplorable", Interior Minister Cristo said "We cannot begin a peace process with the ELN behaving in this way". He added: "The ELN persists in causing incredulity and distrust among the Colombian public regarding its true commitment to peace." A joint military and police operation has been launched in the area to try to rescue Odín. The ombudsman, Alfonso Cajoio, called for Odín's immediate release. His office also release a statement on 2 May condemning Gabino's interview with the Basque paper Gara: "It is one thing negotiating in the middle of the conflict and 'to proceed with the Agenda as it has been agreed', as Mr Bautista says in his interview; quite another to disavow the principle of international humanitarian law".

## Morales and COB strike deal but unrest persists

The Movimiento al Socialismo (MAS) government led by President Evo Morales and the Central Obrera Boliviana (COB) umbrella trade union last week agreed on a 6% general salary increase and a 9% increase in the national minimum wage for this year. While rejected by the private sector, the deal, over what has been a thorny issue in recent years, was a bonus for Morales. However it comes as his government has faced heavy criticism over its handling of a dispute stemming from demands put forward by the disability sector.

COB executive secretary Guido Mitma told reporters that with the increases agreed on 26 April (which are well above the 2.95% inflation rate registered in 2015), the monthly minimum salary will rise to B\$1,805 (US\$261) from B\$1,656 (US\$239). This was less than the COB's initial demands of 8.5% and 15% increases as agreed in 2015, although above the initial government offer of 4% for both.

The COB's acceptance of a final deal, less generous than the increases agreed the previous year, no doubt reflects continued concerns regarding slowing growth and a related fall in government revenue. This stems from the fall in international commodity prices – in particular hydrocarbons – the country's main export. While Bolivia is forecast to register one of the highest GDP growth rates in 2016 (4.5% – in line with 2015 – according to the latest figures from the United Nations Economic Commission for Latin America & the Caribbean, Eclac), a February report by a local private sector lobby, Instituto Boliviano de Comercio Exterior (Ibce), notes that Bolivia's exports were 32% down in value terms in 2015 compared with 2014, amounting to US\$8.7bn (*see sidebar*).

The wage deal has been strongly rejected, however, by private sector lobbies such as the Confederación de Empresarios Privados de Bolivia (CEPB) and the national chamber of commerce (CNC). CEPB president Ronald Nostas grumbled that the private sector had been excluded from the talks and the final deal had been unilaterally imposed. Meanwhile CNC president Fernando Cáceres told reporters that companies would likely have to lay off staff, serving only to increase the size of the informal economy.

### Protests

While the threat of unrest from the COB was averted, the MAS government has faced protests from organisations representing disabled people which are calling for a B\$500 (US\$72) monthly bonus, up from the current annual B\$1,000 (US\$146) they receive in benefits.

On 25 April protesters in wheelchairs and on crutches arrived in the capital, La Paz, after a trek of several weeks from different parts of the country to present their demands. The issue made headlines following video footage of riot police using tear gas to disperse protesters. While government officials, such as the deputy interior minister Rodolfo Illanes, told reporters on 27 April that the police were targeting "infiltrators" who were using the protest for their political ends, rather than demonstrators, this failed to convince institutions like the Bolivian Episcopal Conference (CEB) and the Office of the United Nations High Commissioner for Human Rights (OHCHR) which issued statements condemning the use of violence.

On 29 April the government inked a 42-point agreement with organisations representing disabled people, which includes promises of benefits relating to areas such as education, housing, health and employment. However it failed to cover the demand for the B\$500 suggesting that the unrest is likely to continue. Arguing that since 2012, the government had paid out B\$71.8m (US\$10.3m) in benefits to some 122,112 people, Economy & Finance Minister Luis Arce said that increased benefit would cost the state B\$369m (US\$53m) a year which the government cannot afford.

### Drop in exports

According to the February 2016 report by the Instituto Boliviano de Comercio Exterior (Ibce), Bolivia's hydrocarbon exports dropped 39% in value terms to US\$4.0bn in 2015 and down by 1% in volume terms, while mining exports registered a 27% decrease in value terms to US\$2.8bn, but increased by 1% in volume terms.

**Ecopetrol**

The announcement by Ecopetrol of the two accords with Canada's Parex Resources Inc came a day before Colombia's state-owned oil firm released its latest financial report, which showed that its earnings before interest, taxes, depreciation and amortisation (Ebitda) for the first quarter of the year fell by 13.5% year-on-year to Col\$4.1bn (US\$1.44bn) on the back of "the lowest hydrocarbon prices of the last 12 years".

**BOLIVIA | Colquiri mining project.** On 2 May Bolivia's mining ministry released a statement in which President Evo Morales invited companies to present bids for the construction of a new zinc and tin processing plant. The plant is to be located in the Colquiri, La Paz department, and is to have an extraction capacity of approximately 2,000 tonnes (t) of metals per day.

According to the statement, the government has a US\$75m budget for the project, and it wants to award the contract to build the plant before 20 June. The statement was released after President Morales visited the Colquiri mine on 2 May and met with representatives from a local miners' union to discuss the long-running dispute between state and cooperative miners operating in the mine that sporadically results in violent confrontations between the two groups, the latest of which took place last year.

During the meeting, Morales told state and cooperative miners that they could only ensure the continuous exploitation of the mine by respecting each other and working together. "This has to stop... In order to work together, it is crucial to respect the different areas of labour, which is the solution to this problem", Morales said.

**PERU | Copper production increases sharply.** Peru's energy & mining ministry (MEM) released a statement on 2 May showing that national copper production increased by 51.02% in the first quarter of 2016 compared to the same period in 2015, reaching 514,494 tonnes (t). In the statement, Marcos Villegas, the head of the MEM's general mining directorate (DGM), said that this increase was due to new mining projects coming on-stream in the past few months such as the 'Las Bambas', 'Constancia', and 'Toromocho' mines, as well as the expansion of the 'Antamina' and 'Cerro Verde' mines.

According to the statement, the southern Andean Arequipa region is the country's leading copper producer, producing 25% of all the copper in Peru. Ancash region (west) and Cusco region (south) came second and third, accounting for 22% and 15% of national production respectively.

Gold and silver production also increased during the first quarter of the year, according to the DGM report. Peru produced 38.1t of gold in the first quarter, 7.31% more than during the same period in 2015; while the country produced 1,071t of silver in the first quarter, representing a 13.95% increase compared to the first quarter of 2015. In contrast, zinc production fell by 5.74% year-on-year in the first quarter of the year to 320,000t, due to the lower yield in metals mines in central areas of the country.

**COLOMBIA | Santos signs 'pro-youth' bill.** President Juan Manuel Santos this week signed the 'Ley Projuven' (pro-youth bill), which aims to "facilitate young people's access to quality and formal labour". Among other things, the bill abolishes the need for individuals to present their military passbook in order to have access to formal labour, as well as launching various programmes aimed at promoting youth employment in rural areas.

After signing the bill into law, President Santos said that "Today in Colombia, young people represent a quarter of the country's labour force, which shows how important they are as productive actors, however, they account for half of the country's unemployed, which clearly highlights the challenge that we need to overcome". Santos noted that his government has sought to improve this and managed to reduce unemployment among people under 28 years of age from 20% in 2010 to 15.3% in 2015.

**COLOMBIA | Ecopetrol signs exploration agreements.** Colombia's state-owned oil firm, Ecopetrol, announced this week that it had signed two agreements with the Canadian oil company Parex Resources Inc concerning the exploration and exploitation of the 'De Mares' and 'Playón' blocs in Colombia's northern Magdalena Medio valley.

According to the statement, Parex will assume a 50% stake in the two blocs for which Ecopetrol has a concession and has been conducting exploratory work for the past 10 years, after agreeing to finance the drilling of the 'Coyote-1' well in the De Mares bloc (estimated to cost US\$3m) and the 'Boranda-1' well in the Playón bloc (US\$7m). The statement adds that the deal, which is subject to approval by Colombia's national hydrocarbon agency (ANH), is part of Ecopetrol's strategy to seek alliances with other foreign firms in a bid to hedge risks, reduce investment costs, and generate more value for the state-owned firm.

## Motor vehicle ban not enough says Sermanat

Amid the atmospheric environmental emergency declared by the Megalópolis environmental commission (Came), the head of Mexico's environment ministry (Sermanat), Rafael Pacchiano, suggested that stricter measures than those currently imposed would have to be adopted to improve air quality in the Valle de México. Speaking during a 3 May radio interview, Pacchiano said that measures such as the ban on motor vehicles, estimated to affect 1m vehicles on any given day, were not enough to reduce air pollution levels and that the federal authorities were now analysing adopting even stricter measures, given that Came has warned that the current high atmospheric pressure system and low winds in the Valle de México preclude the dispersion of pollutants.

## Environmental emergency declared

The Valle de México metropolitan area that surrounds Mexico's capital was placed under environmental emergency by the Megalópolis environmental commission (Came), the federal body that governs the area, on 2 May. This is the second time this year that such an emergency has been declared and drastic measures, such as limiting the number of motor vehicles that can circulate, have been adopted in the Valle de México since 2002, when Mexico decided to tackle its air pollution problems head on and adopt comprehensive measures to help improve the air quality here and across the country. While the need to improve air quality in the Valle de México is not under question, the drastic measures implemented by Came have proved controversial, with some sectors complaining that they have a significant negative economic impact.

Came, which comprises representatives from the federal government, the Mexico City government and that of the states that form part of the Valle de México geographical area (Estado de México, Hidalgo, Morelos, Puebla and Tlaxcala), declared a 'phase I atmospheric environmental emergency' after the air quality index (Imeca) registered a high concentration of pollutants (above 150 points on the Imeca scale) in five of the air quality measurement stations dotted around the area. In a statement Came said that as part of its environmental contingency programme, it would implement the necessary emergency measures to reduce air pollution to more acceptable levels until further notice.

These measures include banning motor vehicles, including freight vehicles and motorcycles, from circulating in Mexico City and the vicinity for one day a week depending on their licence registration numbers. Industries in the cement, pharmaceutical, chemical, energy generation and hydrocarbon sectors that operate in the area must also reduce their emissions by 30%-40% or face fines. Meanwhile, petrol stations that do not have a working vapour recovery system will be temporarily shut down.

### Controversial measures

While Came's announcement has yet to produce any reactions, it is likely that it will garner complaints from some quarters. After Came declared the first environmental emergency for 14 years in mid-March, when the concentration of pollutants rose to 203 in the Imeca scale (or 'extremely high'), it ordered the adoption of emergency measures including the banning of the use of vehicles for one day a week and a Saturday each month until 30 June so as to reduce pollution levels. But this led the local industrial sector to stage major demonstrations rejecting the measures. The Confederación de Cámaras Industriales (Concamin) industrial sector lobby complained that the decision had been taken without consulting the sector and would produce significant economic damage to the sector and the wider national economy.

Concamin complained that extending the ban on circulation of freight vehicles would have a severe affect on the Valle de México "negatively impacting logistics and the movement of goods... which could lead to scarcity in an area that accounts for 18% of the national population... [and] concentrates 28% of national economic activity". Concamin organised a demonstration on 6 April, when hundreds of lorry drivers blockaded major access roads into Mexico City to demand the easing of Came's emergency measures, warning that they could lead to potential job losses. Came temporarily suspended the emergency measures to review Concamin's request and the air quality situation in the Valle de México. But as the situation has clearly not improved, tensions between the authorities and the private sector will once again increase.

**The Brits are back**

**Philip Hammond was in Havana on 28 April, the first British foreign secretary to visit Cuba since 1959. Hammond met both his Cuban peer Bruno Rodríguez and President Raúl Castro while in Havana, in addition to several other senior government officials and representatives of the British business community. A foreign office press statement ahead of the trip had also suggested that he would meet Cuban civil-society representatives, although local media made no mention of this.**

Now that Cuba and the European Union (EU) have signed a new bilateral Political Dialogue and Cooperation Agreement (PDC, 11 March 2016) to replace the EU's 1996 Common Position on Cuba, which restricted European countries in their business dealings with the island, the United Kingdom and other EU countries are freer to pursue new trade and investment links directly with the Cuban government (albeit they are still indirectly subject to some of the legal provisions of the US economic embargo on Cuba). British businesses looking newly at Cuba are following somewhat belatedly in the footsteps of British tourists, which make up the second-largest number of visitors to the island every year after Canadians (160,000 in total went in 2015). Spain, meanwhile, has long been the principal European investor in Cuba.

A year ago, in April 2015, the Rt. Hon. Lord Hutton of Furness led a British Trade and Investment Mission to Cuba in his capacity as chairman of the Cuba Initiative. That trip was in response to the Cuban government's call for foreign investment in key sectors including oil and gas exploration; renewable energy (including wind, biomass, photovoltaic, hydropower and biogas); iron, nickel, gold, silver, zinc, lead, cobalt and other mining; tourism, real estate development, golf courses and hotel management; biotechnology; agribusiness; industry and manufacturing; and transport and construction, including marina and port construction, railways and urban transport. Hugo Swire, Minister of State at the Foreign and Commonwealth Office, had gone to Havana in November 2014. As such, Hammond's trip marked the culmination of these recent efforts.

Hammond signed a bilateral agreement restructuring Cuba's debt to the UK, along with new cooperation agreements on financial services, energy, education and culture. He said his visit was "a sign of warming UK-Cuba relations", and stressed that the UK was keen "to forge new links across the Atlantic". Hammond arrived in Cuba from Colombia, and continued on from Havana to Mexico.

In a subsequent interview with foreign journalists at the British ambassador's residence in Havana, Hammond said he had had a "long and interesting discussion" with President Castro, noting: "I was very struck by the fact that he described the Internet as the reality of our world, spoke positively about the benefits the Internet could bring". Hammond added: "[Castro] is espousing a programme of gradual change, embracing the realities of the world we live in... seeking to position himself in the middle between those who are resisting change and those who want much faster, more radical change".

Hammond also said that the Cuban leader had expressed particular interest in British expertise in the banking sector, which remains very undeveloped in Cuba. According to *Reuters*, Hammond commented that "we have also had discussions with the US about the challenges for British and other European banks in doing business with countries that face US sanctions... There are some problems here but we are working through them with the US and hope to make progress in a way that will enable British businesses to do more business with Cuba."

**Chanel**

German fashion legend Karl Lagerfeld, of the French design house Chanel, paved the way for increased tourism to Cuba this week as he staged Chanel's latest cruise collection on the streets of Havana, to international media attention. An array of celebrities including the Brazilian supermodel Gisele Bündchen, the British actress Tilda Swinton and the US actor Vin Diesel were pictured in Havana for the event, which was Chanel's first ever fashion show in Latin America. Lagerfeld said the collection was inspired by his longstanding love of Cuba's rich cultural heritage. Havana in the past nine months has also hosted Pope Francis, France's President François Hollande, US President Barack Obama and The Rolling Stones, to cite just a few of the larger names passing through the packed streets.

## Doing Business

In his state-of-the-nation address, President Solís pointed to the findings of the latest World Bank (WB)'s Doing Business 2016 report, released in October 2015 as cause for celebration. The WB report, which measures 189 economies worldwide, had singled out Costa Rica as one of 10 economies (the only one in Latin America and the Caribbean) to have registered a significant improvement in their rankings in the past year. The report ranks Costa Rica 58<sup>th</sup>, up from 79<sup>th</sup> in the previous report. This is the fourth best ranking for a Latin American country after Mexico (38<sup>th</sup>); Chile (48<sup>th</sup>); and Colombia (54<sup>th</sup>). The WB report cited three key improvements – ease of access to electricity; access to credit; and low business tax rates.

## Cooperation with China back in the spotlight

Costa Rica's cooperation with China is making the headlines. Weeks after the 57-member unicameral legislature approved a deal to promote and protect investment with China – in the pipeline since the two countries inked a free trade agreement (FTA) in 2011 – the state-run oil company, Refinadora Costarricense de Petróleo (Recope), announced it was abandoning the project to upgrade its refinery at the Caribbean port of Moín, a project it had been working on with China National Petroleum Corporation (CNPC). Costa Rica's biggest infrastructure project, the initiative was a symbol of bilateral cooperation when first announced in 2007 (the year Costa Rica established diplomatic ties with mainland China – the only Central American country to have made the switch from Taiwan).

On 29 March Costa Rica's legislature approved the investment promotion and protection deal with China which includes a legal framework for bilateral investment and covers areas like expropriation; compensation for damages and losses; and resolution of differences between parties, among other things. Chinese foreign direct investment (FDI) in Costa Rica reached just US\$9.8m in 2014 (out of the total US\$2.18bn in FDI received that year) on the most recent figures from Costa Rica's foreign trade ministry. The same figures show that Chinese FDI in Costa Rica reached US\$6.1m in 2013 and US\$4.8m in 2012.

Yet on 14 April Recope announced its decision to cancel the project for the upgrade of Costa Rica's only oil refinery which was due to be carried out by the joint Chinese-Costa Rican reconstruction corporation (Soresco). With an initial investment of US\$1.3bn, the project, which was to be partly funded by a US\$900m loan from the China Development Bank Corporation (CDB), would have more than doubled Costa Rica's domestic crude refining capacity to 65,000 barrels per day (bpd), up from the current 25,000bpd. The project has been paralysed since 2013 after it emerged that there were deficiencies in the feasibility study which had been carried out by a Chinese company, HQCEC, which had links to CNPC – in clear breach of the contract [WR-13-26]. Meanwhile an "exhaustive review" of Soresco pledged by Recope president Sara Salazar in early 2015 ultimately failed to produce results.

The government led by President Luis Guillermo Solís has since sought to downplay concerns regarding the impact of Recope's decision on bilateral relations. On 26 April he confirmed that the comptroller general's office had approved a US\$495m contract to expand Costa Rica's 'Route 32', the main highway connecting San José and the Caribbean province of Limón. Of this US\$395m will come as a loan from the China Harbour Engineering Company (CHEC) – approved by Costa Rica's legislature in 2015 with the rest to come from the Costa Rican government.

### Growth

In his state-of-the-nation address delivered on 2 May to mark the midway point of his four-year term in office, President Solís pointed to strong growth of 3.7% in 2015 and said that Costa Rica's Central Bank and International Monetary Fund (IMF) were forecasting 4.2% growth for 2016. A presidential press release issued on 25 April, noted that the 2015 GDP growth figure was up from 2.9% in 2014 and 1.7% in 2013.

While also trumpeting other signs of progress such as the country's improved rankings in the World Bank's 2015 'Doing Business' index (*see sidebar*), President Solís reiterated calls for the national assembly (in which his Partido Acción Ciudadana [PAC] has just 13 seats) to pass a fiscal reform to reduce the country's fiscal deficit, which closed at 5.9% of GDP in 2015 – a perennial priority for his and previous governments.

**Military spending**

For all the concerns about military spending, it is worth pointing out that Nicaragua spent just C\$1.952bn (US\$68m) on the military in 2015 on the latest figures from the Stockholm International Peace Research Institute (SIPRI), down from C\$2.113bn (US\$74m) in 2014. While Costa Rica and Panama do not have a military, this still compares with Q\$2.1bn (US\$273m) for Guatemala in 2015, US\$223m in El Salvador and L\$7.0bn (US\$300m) in Honduras. Meanwhile some political commentators suggest that the purchase of the tanks might actually have more to do with Russia than Ortega's military ambitions given its traditional buyers like Brazil and Venezuela are facing economic difficulties.

**Military cooperation with Russia raises eyebrows**

The announcement by the Frente Sandinista de Liberación Nacional (FSLN) government led by President Daniel Ortega of plans to purchase new Russian tanks has grabbed attention. Indicative of burgeoning bilateral cooperation which has gathered pace since Ortega took office for a second term in 2007, the announcement has attracted attention not only from the local political opposition but also the US and neighbouring Costa Rica, which has historically tense relations with Nicaragua due to their various territorial disputes.

On 25 April national daily *La Prensa* cited military spokesperson Manuel Guevara Rocha as saying that the planned purchase was part of efforts to overhaul the armed forces. Guevara did not give further details, but the same day Russia's state-owned news agency, *Sputnik*, reported that Russia was preparing to hand over some 20 modernised T-72B1 tanks to Nicaragua as part of an agreement signed in 2015 for the provision of 50 tanks – the total cost of which is put at US\$80m. With the remainder reportedly due to be delivered at the end of 2016/early 2017, the *Sputnik* report notes that the purchase follows other military hardware bought by Nicaragua from Russia in recent years. This includes 12 ZU-23-2 anti-aircraft auto-cannons in 2014; a batch of GAZ-2330 Tiger armoured infantry vehicles in 2012; and two Mi-17V-5 helicopters in 2009. *Sputnik* also reported that Russia and Nicaragua were moving forward with a plan to supply Nicaragua's navy with two modern Molnia-class missile ships.

The FSLN government has maintained silence as to the planned use of the tanks. On 29 April FSLN bench leader in the national assembly Edwin Castro told reporters that they were to be used for anti-narcotrafficking efforts but the next day the government released a curt statement distancing itself from his remarks, recalling that only the president and armed forces are authorised to address issues of national security. The opposition coalition, Coalición Nacional por la Democracia, led by the Partido Liberal Independiente (PLI), has said that it will request information from the ruling party in the FSLN-controlled legislature while PLI deputy Javier Vallejos – who heads up the legislature's peace, defence & governance committee – expressed surprise at the purchase. He also questioned how it was to be financed given that the legislature had not approved a loan for it.

The planned acquisition of the tanks also prompted an international response. The US ambassador to Nicaragua, Laura F Dogu, was cited by the local press on 28 April as saying that Washington wanted to know the motives for the purchase. On 26 April Costa Rica's foreign minister, Manuel González, told the national daily *La Nación* that the concern was not that the purchase of military hardware represented a threat to Costa Rica as such but rather that a Central American country had decided to embark on an "arms race". González said that rather than investing in military hardware, the sub-region should spend more on sectors like healthcare, technology, and infrastructure.

**Other cooperation**

The discussions regarding the tanks took place amid other signs of strengthening cooperation with Russia. Between 4 and 6 April Russia's deputy minister for industry, Alexander Nikolayevich Morozov, paid a visit to Managua. After meeting a high-level delegation headed up by Ortega's son, Laureano, the presidential adviser on investment, Morozov announced a US\$250m-US\$300m loan for strategic scientific-technical projects for socio-economic development. The loan will be used for things like upgrading Augusto C. Sandino airport, Managua's main airport; acquiring aircraft; constructing a complex of silos and mills for the storage and processing of basic grains; and a system of radars.

## POSTSCRIPT

### Quotes of the week

“This experience of the last three years has not been easy. Everything they did to Comandante [Hugo] Chávez in 14 years they have done to me in three years and a bit more, and I am here tougher than ever.”

*Venezuela's President Nicolás Maduro.*

“Wars have rules. There are things that are accepted and things that are not accepted. For this reason International Humanitarian Law was created and within these rules it is very clearly stipulated that kidnapping...is not accepted in any circumstance or any type of war.”

*Colombia's President Juan Manuel Santos.*

“If I felt that this law, leaving aside the fact that it failed during the government of [Eduardo] Duhalde [2002-2003]...would be good we would have championed it and what's more presented it from the first day.”

*Argentina's President Mauricio Macri on the 'anti-dismissal' law being driven by the opposition.*

### The Adonia makes a historic trip

An estimated 700 US passengers, including licensed tourists and some Cuban-Americans returning to their native home for the first time in decades, sailed into Havana Bay on 2 May on the Adonia, which made history as the first US-owned cruise ship to dock in Cuba in almost 40 years. The last few cruises sailed to Cuba in the late 1970s, when Jimmy Carter was in the Oval office.

Over a dozen lines have announced plans to run US-Cuba cruises as part of the continuing moves by the administration of US President Barack Obama to remove longstanding US-Cuba travel restrictions and foster people-to-people ties between the two countries. According to estimates by the US-Cuba Trade and Economic Council, Cuba potentially stands to earn over US\$80m a year from this new business. However, a Cuban rule prohibiting people born in Cuba from entering or leaving the country by sea almost scuppered the planned arrival of the Adonia, prompting protests in Miami by Cuban Americans in recent weeks. Cuba at the last minute agreed to scrap this decades-old regulation, in another sign of the rapid thawing of ties across the Florida straits.

The number of US visitors to Cuba has nearly doubled already this year, Cuba's tourism minister, Manuel Marrero, said at the opening of the Havana tourism fair this week. In 2015, Cuba received a record 3.5m foreign tourist arrivals. To date this year, it has already hosted 1.5m visitors, up 13.5% year-on-year: 94,000 were Americans, a jump of 93% year-on-year. Tourism in the capital Havana is up 37% year-on-year in 2016, Marrero added. US visitors arriving on one of the 12 authorised travel licences are not technically permitted to visit Cuban beaches (as that would constitute regular tourist activity, which remains prohibited under the US embargo), and so most of them spend much of their time in Havana. By contrast, some international tourists spend their entire time in Cuba on package holidays in Varadero (the main beach resort), with only an occasional day or evening trips into Havana.

Marrero said that three new hotels were under construction in colonial Havana, with plans at an advanced stage to renovate several others in the area. He also mooted another expansion of Havana's overburdened José Martí airport. US airlines are not the only ones adding routes. Air France already has 11 flights a week to Cuba and, as of November this year, will increase this to 28 a week, including 18 to Havana. This also reflects a broader increase in tourism to the Caribbean, newly favoured by European tourists not keen to head to the Middle East, Africa or Asia on security fears.

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