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Waters muddy over Panama Canal expansion project

The 31 December anniversary of the US handover of the Panama Canal does not normally make international headlines. However a threat issued the previous day by Grupo Unidos por el Canal (GUPC), the international consortium led by Spain's Sacyr Vallehermoso, to the Panama Canal Authority (ACP) to suspend work on the US\$3.1bn construction of a set of new locks, the biggest contract under the US\$5.3bn expansion plan, propelled the project back into the international media glare. With both Spain and Panama scrambling to resolve the dispute, the doubts over Panama's biggest construction project, which is key to President Ricardo Martinelli's infrastructure plan, could not come at a worse time for the president whose Cambio Democrático party is gearing up for general elections in May.

In its letter to the ACP, the consortium, which also includes Italy's Impreglio, Belgium's Jan de Nul and Panama's Constructora Urbana (CUSA), said it would suspend work on 20 January 2014 if the ACP failed to meet some US\$1.6bn in cost overruns. GUPC representatives subsequently justified its ultimatum on the grounds that the ACP had failed to provide accurate information on the geology of the area, meaning that development costs were underestimated. GUPC's ultimatum provoked an angry response from the ACP which, in a 5 January statement was clear that "The notice of intent to suspend work is not valid and the arguments raised by the contractor in the note lack legal basis and are not clear". ACP administrator Jorge Quijano, who had said that Panama would "discuss" the cost overruns if they proved justified, was also clear that there is no provision within Panamanian legislation or the contract signed by both parties to support the suspension of the works and that the consortium should present its complaints through official channels.

Not a surprise?

The latest row has once again raised questions over the decision, announced in July 2009, the same week President Martinelli took office, to award the US\$3.1bn contract to GUPC, which defeated two consortia led by Bechtel (US) and the Spanish companies ACS Services and Acciona. According to a cable dated 8 July 2009, subsequently released by whistle-blower website *Wikileaks*, "Sacyr offered...[US]\$3.2bn, versus [US]\$4.3bn for Bechtel and nearly [US]\$6bn for ACS...A Bechtel representative noted that the concrete cannot even be poured at Sacyr's price". At the time, sceptics noted that then-ACP administrator Alberto Alemán Zubieta was the cousin of CUSA's president Rogelio Alemán while another Alemán cousin, Panama's ambassador to the US Jaime Alemán, quit in mid-December 2010, a move linked to the release of *WikiLeaks* cables pertaining to the process.

Since then, various problems have afflicted the project which was initially slated for completion in October 2014. In March 2012, the ACP announced a

Concerns

According to another *WikiLeaks* cable, dated 8 January 2010, in response to a question from then US ambassador to Panama, Barbara Stephenson, President Martinelli “grimaced and indicated he was a bit worried. He said that he feared that Canal Administrator Aleman[sic] might have tipped the bid toward the consortium that included CUSA, which is run by his cousin Rogelio.” The same cable also noted that “senior GOP Officials have expressed doubts to the Embassy and to members of a visiting US Congressional delegation about the ability of the GUPC Consortium led by Spanish and Italian firms”.

seven-month delay for the project, which the latest (30 December 2013) report by the ACP notes is just 70.7% complete, with the construction of the new locks, just 64% finished, and the delivery date has since been pushed back to June 2015. This stems in part from delays reported by the GUPC in securing extra funds necessary to cover unexpected costs (such as the ACP’s insistence on a specific high-grade cement mix rather than a cheaper alternative proposed by GUPC).

Agreement on the horizon?

While the governments of both Spain and Panama maintain the dispute is between the companies, with Madrid adamant it will not provide financial help to Sacyr, the threat to suspend the project provoked a flurry of diplomatic efforts in an attempt to keep the expansion project, which was approved in 2007, on track. On 6 January Spain’s public works minister, Ana Pastor, travelled to Panama City to broker a deal, meeting representatives from GUSC, ACP and Martinelli, who has also been striving to find a solution to the problem.

With a final agreement yet to be announced, these efforts have had some impact. The same day, Pastor announced that GUPC would honour the terms of its contract and present any complaints through official channels. (It is worth pointing out that as well as Martinelli’s interest in resolving the dispute given upcoming elections, there is a lot at stake for Sacyr: a financial statement circulated to international media showed Panama accounted for 25% of its US\$1.78bn in international sales in the first nine months of 2013).

The following day representatives from GUPC and ACP met and laid down their proposals. While both remain at odds as to who should stump up the US\$1.6bn, they each tentatively agreed to put up at least US\$100m to keep the project running, although again a deal has yet to be finalised. According to international press reports, the GUPC is offering to provide US\$100m but is requesting a US\$400m advance from the ACP. The ACP, whose proposal is conditional on the GUPC formally withdrawing its threat to stop work and to agree to process its claims through formal arbitration, is proposing to put up US\$100m and give the GUPC more time to repay US\$83m previously advanced to the consortium. While neither side has said when the next round of talks will take place, both Pastor and Martinelli insist that a solution is on the cards.

Opposition rule out alliance

The uncertainty over the canal expansion project is a blow for President Martinelli ahead of the 2014 election (from which he is barred from running) given its importance to his US\$15bn infrastructure investment plan. Yet, he can take solace from the fact that the two main opposition presidential candidates, Juan Carlos Navarro (Partido Revolucionario Democrático, PRD) and Juan Carlos Varela (Partido Panameñista, PPA) failed to strike a deal ahead of the 28 December deadline to register alliances. This leaves the CD candidate, textiles businessman and former housing minister (2011-2013), José Domingo Arias, in a strong position. The latest Dichter & Neira poll, released on 16 December, gives Arias 39% of voting intentions followed by Varela on 25% and Navarro on 23%.

On 26 December the two opposition candidates met to consider a deal brokered by prominent business and political figures like Robert Eisenmann, the founder of opposition daily *La Prensa*, Alvin Weeden, the former comptroller general under the PPA government of Mireya Moscoso (1999-2004), and Mario Galindo, a former finance minister under the PPA government of Guillermo Endara (1989-1994). Among other things, the deal reportedly involved a 10-year power-sharing arrangement, with Varela to run as presidential candidate and Navarro as his running mate in the first term, a formula which would be reversed in the second. That the deal ultimately failed to convince was not a surprise given the precedent of the 2009 election, when Varela stood as Martinelli’s running mate on a similar understanding, only for the deal to fall apart in 2011 when it became clear that Martinelli had no intention of sticking to it.

Zelaya finds an early cause

Manuel Zelaya, the ousted former president (2006-2009) and newly-elected legislator, has called on the Honduran Left to turn out in force on 16 January, and again on 27 January, when President-elect Juan Orlando Hernández will be sworn in, to protest against the 'paquetazo' approved by the outgoing congress just before Christmas. Zelaya and his new Libre party are not the only opponents of the adjustment package; his former party, the traditional Partido Liberal (PL), has also come out strongly against it, with the PL's defeated 2013 presidential candidate Mauricio Villeda declaring that the PL would stand with Libre in congress against the fiscal reform. The political backlash against the package is such that Hernández looks set to face governability problems from the outset. Well aware of this, the outgoing congress in its final weeks has also raced through a string of other controversial measures, including the removal of some 18 judges and the institutionalisation of a new military police force.

With a majority of 71 in the 128-seat congress, the ruling Partido Nacional (PN), which will remain in office from 2014-2018 under Hernández but with a much reduced strength (48 seats), pushed the package through on 21 December over opposition objections. President Porfirio Lobo, who has struggled to pay public sector salaries this past year, insisted that the package was necessary, noting that the country's total public debt has swelled to some US\$5bn – or 27% of 2012 GDP. The fiscal deficit, officially at 6% of GDP, is heading for 8% on International Monetary Fund (IMF) estimates. Lobo stressed that the package had the support of the Inter-American Development Bank (IDB), whose president, Luis Alberto Moreno, met Hernández in Tegucigalpa the day before the congressional vote.

Moreno emphasised to reporters that the new government would need to forge social pacts in support of its economic policy efforts, noting that about 70% of the population of 8.5m is now affected by poverty, on IDB estimates. The package should pave the way for the incoming government to agree a new stand-by agreement with the IMF. The last one (for US\$201m) ran out in March 2012 and the Lobo government failed to agree a new one because of the IMF's tough fiscal prescriptions. In his 2013 election campaign, Hernández promised not to raise taxes in office, although all the candidates, including on the Left, admitted to the need for an economic adjustment. The approval of the 'paquetazo' by the outgoing congress technically allows Hernández to 'keep' that promise, although no-one but him will make the distinction. Villeda warned on 8 January that the first order of business in the new congress would be to overturn the package. Together the PL, Libre and another new leftist party, Partido Anti Corrupción, would have 77 votes. The PN had been hoping to forge a working alliance with the PL, potentially by offering it the congressional presidency, but Villeda said he had instructed the PL bench "not to negotiate the presidency".

Under the 'paquetazo' the retail sales tax (ISV) on fuel, several basic consumer goods and telecommunications services will be lifted to 15% from 12%, while electricity subsidies for consumers will be cut. Gasoline taxes will go up a further US\$0.25/gallon, with the income earmarked for infrastructure and social welfare projects. The 2014 ministerial budget allocations and transfers to local municipalities will be frozen at 2013 levels, with tough new sanctions on officials for overspending (potentially including a 10-year ban on public office), in a bid to save some US\$772m in official spending. Local companies earning over HNL1.0m a year (about US\$48,000) will have to pay an extra 5% 'solidarity tax' on top of their normal taxes, while foreign companies will pay a tax of 10% on gross income in Honduras. These are but a few of the measures that aim to net HNL6bn (US\$800m) in total for the government.

Security sweep

On 19 December President Lobo overhauled the security forces, removing the chief of police and the head of the armed forces. Lobo was clear that the changes were made in consultation with his successor-elect, Juan Orlando Hernández. Lobo replaced the hard-line police chief, Juan Carlos 'El Tigre' Bonilla, with Ramón Antonio Sabillón Pineda, formerly the police inspector general, who is said to have the confidence of the US embassy in Tegucigalpa. Hernández reportedly intends to retain Lobo's security minister, Arturo Corrales, who had differences with Bonilla. The head of the army, René Osorio Canales, was replaced by the recently promoted Fredy Santiago Díaz Zelaya. Alberto Fernández López is the new air force commander, and Héctor Orlando Caballero Espinoza the new head of the navy.

Castro cranks up pace of reforms...slightly

Dutch visit

Frans Timmermans became the first Dutch foreign minister to visit Cuba since the Revolution this week. During his two-day visit he said that the economic reforms in Cuba were “encouraging” and urged the European Union (EU) to embrace “dialogue” which he said “could really bring the relationship forward.” Timmermans did not directly mention the Common Position, which governs the EU’s relations with Cuba and is rejected by Havana, but he said that the EU could change its approach while maintaining a “difference of opinion” in regards to politics.

While much of the rest of Latin America shuts up shop for the Christmas period, Cuba undergoes a rare frenzy of activity. There is the biannual session of parliament in late December, and the New Year commemoration of the birth of the Revolution, which turned 55 on 1 January, from the eastern city of Santiago. President Raúl Castro’s message stuck to the familiar laments of “brutal [external] pressure” and the US ‘blockade’, but he also promised continued “gradual” reform. The opening days of January saw the announcement of two noteworthy reforms.

In his speech to close parliament on 21 December, President Castro said there would be “neither hurry nor pause” in rolling out reforms in Cuba. He hailed as a “transcendental step” the start of the process to end the complicated dual currency system, although he warned that this would not constitute “a magic solution” to Cuba’s problems. He also said his government was working on a foreign investment law, of “singular importance” for the country’s development, which would be submitted to parliament next March in an extraordinary session.

The economy and planning minister, Adel Yzquierdo, revealed during the parliamentary session that Cuba posted weak GDP growth of 2.2% in 2013, on declining nickel and sugar prices, which he candidly conceded was “insufficient” for the country’s development.

During his annual New Year’s address in Santiago’s Céspedes park, Castro warned that Cuba was facing “a campaign of ideological and political subversion aimed at toppling the socialist system”. Nothing new there, but Castro then indirectly revealed the concern eating away at the Cuban leadership that the new generations set to inherit the Revolution would forget that it is “of the humble by the humble and for the humble” and might be vulnerable to “scheming attempts to introduce neo-liberal thinking that favours the restoration of neo-colonial capitalism [...] intend[ed] to lead to a rupture between the historic leadership of the Cuban Revolution and the new generations, and thus promote uncertainty and pessimism towards the future, and all this is particularly aimed at dismantling socialism in Cuba from inside.”

This diatribe was clearly aimed at the US. During the closing session of parliament, Castro said that “We do not ask the US to change its political and social system, nor do we agree to negotiate over ours,” but he added that bilateral relations could be “civilised”, citing meetings over the course of the last year with US officials to discuss re-establishing a postal service and immigration, talks around which will recommence in Havana on 9 January, the US state department announced this week.

Meanwhile, the “gradual” reforms promised by Castro included, on 3 January, the elimination of the requirement for private individuals to seek “a letter of authorisation” for the purchase of new and second hand cars from the State. The price list will have made sober reading for most Cubans: a basic Peugeot 508, for instance, will be US\$262,000, some eight times what it is sold for abroad where this sum would buy a Ferrari 458. The government says it will use the proceeds from the profit to improve the dilapidated public transport system, but the massive mark up means the vast majority of Cubans will not be able to afford the imported cars so how much cash the reform will generate is a moot point. The government is hoping to tap into remittances from Cuban expatriates to family members who will have to cash in US dollars at state banks to pay for the car in convertible pesos (CUC).

Under another reform to be rolled out this year, announced on 8 January, thousands of taxi drivers will become self-employed, having to lease their vehicles from 20 state taxi agencies. This extends a pilot scheme launched in Havana in 2010 and is designed to further cut the bloated state payroll.

Venezuela on the no-go list

The 29-year old Mónica Spear was on holidays with her daughter, visiting her family and former partner. While reportedly she left Venezuela partly for security reasons (as well as to further her acting career), she had posted Twitpics online during her final visit proclaiming the beauty of her home country and her love for it. Thomas Berry, of British descent, ran a tourism agency in Caracas. The murder comes as the Maduro government has been running a campaign to promote internal tourism and publicly slated opposition leaders as 'unpatriotic' for holidaying in Miami and elsewhere over Christmas (controversially releasing flight manifestos detailing the destinations of dozens). The widespread international headlines surrounding the couple's death will severely damage Venezuela's international reputation and its tourist sector.

ANDEAN COUNTRIES

VENEZUELA | POLITICS & SECURITY

Maduro pledges 'Pacification Plan' after ex-Miss murder

On 8 January Venezuela's main opposition leaders, Henrique Capriles Radonski and Henri Falcón, the respective state governors of Miranda and Lara, sat down with President Nicolás Maduro, Interior & Justice Minister Miguel Rodríguez Torres, and governors and mayors from the 79 municipalities most affected by criminality to discuss new measures to tackle the extreme violence afflicting the country. Maduro announced a 'Pacification Plan', to be implemented by presidential decree and rolled out across the country within a month.

The senseless murder in cold blood of a well-known former Miss Venezuela, Mónica Spear, and her ex-partner in front of their five-year old daughter has prompted such an outpouring of grief and rage in the country that it has - finally - forced the Maduro government and the opposition to the negotiating table. A security policy meeting was already scheduled for next week, but was brought forward in response to the crime.

Clearly taken aback by the strength of the national outrage, President Maduro in two successive public appearances immediately following the incident dramatically hardened his language, and vowed "an iron fist" against criminals. In May 2013 Maduro launched an emergency security plan, 'Plan Patria Segura', which put 3,000 soldiers on the streets in support of policing efforts. Details of the new 'Plan de Pacificación' are scant, but the question now is whether Venezuela will follow Mexico and Central America (as well as some Brazilian cities) in permanently militarising security. Police reform has undergone several iterations under the Bolivarian government, but the results as yet are underwhelming.

President Maduro said that Interior Minister Miguel Rodríguez Torres and Vice-President Jorge Arreaza would travel around the country to get proposals from all the local authorities for the new plan. He requested 'a clear map' of criminal gangs in every state, including how they form and what danger they represent. A new national institute for the victims of crime will be set up. Maduro also called on the private media to be responsible, accusing it of counting every body arriving in a morgue as a homicide victim.

Maduro also asked that the issue not be politicised, but of course the Spear case has immediately become emblematic of the appalling insecurity in Venezuela, for which the opposition squarely lays the blame at the door of the Chavista government, in power since 1999. After the incident Capriles proposed via Twitter that, "Nicolás, we put aside our profound differences and unite against insecurity, a single block", adding - with clearly political overtones - "not only for the murder..., but for the situation in which we live in this country, where we closed a year with almost 25,000 registered murders. It's an emergency situation". Falcón, a former government ally and one of the only other opposition figures with a national profile to match that of Capriles, said the situation demanded that political leaders put their differences aside. "The entire population wants this. We have to reach agreement on this problem".

According to the Venezuelan Observatory of Violence (OVV), a local NGO, 24,763 people were murdered in 2013, giving a homicide rate of 79 per 100,000, the third or fourth highest in the world. The OVV noted that its total figure would have been higher save for the implementation of Plan Patria Segura. In early December, Rodríguez Torres put the 2013 homicide rate at a much lower 39, which if correct would be the lowest since 2005.

First Lady steps into firing line

Interior ministry hacked into

LulzSecPeru, part of Anonymous Perú, hacked into the interior ministry's computer system over Christmas, leaking emails on social conflicts in Peru related to mining; three officials linked to the scandal involving Óscar López Meneses; and the planned purge of senior police officers. It leaked classified documents, outlining for instance the monitoring by police of seven prominent figures opposed to mining projects in northern Peru, including Gregorio Santos, the regional president of Cajamarca, and Marco Arana, a former priest and political activist.

First Lady Nadine Heredia has taken over as president of the Partido Nacionalista Peruano (PNP), triggering a fresh wave of speculation about her supposed determination to succeed President Ollanta Humala in 2016. While Heredia denied this, for the umpteenth time, the political opposition accused her of overweening political ambition, arguing that it was inappropriate for a First Lady to assume such an overtly partisan political role.

Heredia replaced President Humala at the helm of the PNP on 30 December. Humala had been elected to the position in a party convention, which renewed the party's national executive committee for the period 2014-2017, but stepped aside in favour of his wife, arguing that his priority was the national agenda. The assembled party delegates accepted without demur. The opposition did not. It argued that the social work which Heredia carries out in her position as First Lady could become politicised and State resources used for party political purposes.

In an interview with the national daily *La República* on 5 January Heredia responded to criticism by saying there was no 'office of the First Lady' and that she did not manage public funds. She also railed against some of her fiercest critics, notably former president Alan García (1985-1990 and 2006-2011), who she accused of seeking to become "a president for life", adding that two presidential terms should be more than sufficient; García responded on Twitter by addressing her as 'president-candidate'. Heredia said that she met and exchanged ideas with ministers from time to time because "we are a team", but that this categorically did not amount to the existence of a 'parallel power' in the presidential palace.

Relations between the government and the political opposition have soured noticeably since the scandal surrounding the police protection granted to Óscar López Meneses, an adviser to former president Alberto Fujimori's notorious security chief Vladimiro Montesinos, broke in November [WR-13-46]. The opposition summoned the defence minister, Pedro Cateriano, to appear before congress on 7 January, primarily to face questions about López Meneses. After facing 15 questions he offered no new information to what is already in the public domain. The Fujimorista Fuerza Popular (ironically) was so dissatisfied with his answers it is evaluating whether to present a motion of censure against him, although it might be deterred by the delicate timing: the International Court of Justice (ICJ) at The Hague is poised to issue its verdict on Peru's maritime dispute with Chile on 27 January, around which the country's parties have promised a united front.

The López Meneses scandal will not go away. Humala took advantage of a lull in the intensity of the media focus over the Christmas holidays to replace the embattled head of the joint command of the armed forces, Rear Admiral José Cueto Aservi, on 27 December. General Leonel Benigno Cabrera Pino, who led the counterterrorism base Madre Mía where Humala served as a soldier in the early 1990s, and played a commanding role in the rescue of hostages from the Japanese embassy in Lima in 1997, replaced Cueto.

Humala had stuck by Cueto who was accused by Raúl Salazar, a former chief of police, of ordering the police protection. Instead, Humala had blamed the police. On the same day that Cueto was removed, the interior minister, Walter Albán, announced the 'purge' of 600 senior police officers, 320 for corruption.

Farc raises concerns over peace process

The high command of the Fuerzas Armadas Revolucionarias de Colombia (Farc) released a statement on 5 January raising “serious doubts” about the commitment of the “Colombian State and its imperial master” to the peace process in Havana. The Farc secretariat was responding directly to the publication on 21 December of a long and detailed piece of investigative journalism in *The Washington Post* outlining the extent of the US role in the Colombian military campaign to target the Farc leadership in recent years.

Citing 30 sources in the US intelligence community, military, and diplomatic corps and Colombian officials, *The Washington Post* piece claims that “a [Central Intelligence Agency] CIA covert action program” to provide “real-time intelligence that allows Colombian forces to hunt down individual Farc leaders” was backed by “a multibillion-dollar black budget [...] not a part of the \$9 billion package of mostly US military aid called Plan Colombia, which began in 2000”. This program began to take shape after former President George W. Bush (2001-2009) authorised CIA action shortly after the Farc killed one and kidnapped three US contractors involved in coca eradication in 2003; it remains “classified and ongoing”, according to *The Post*.

The *Post* article says that a US Embassy Intelligence Fusion Cell, dubbed ‘the Bunker’, was set up in the US embassy in Bogotá; eight people monitored satellite maps of the jungle, searching for Farc hiding places, while voice intercepts were decrypted by the National Security Agency (NSA). The CIA also helped train Colombian interrogators to question Farc deserters more effectively but “without the use of the ‘enhanced interrogation’ techniques approved for use on al-Qaeda”, and assisted in the development of a database cataloguing the results.

The US provided the Colombians with a GPS guidance kit to transform heavyweight bombs into “highly accurate smart bombs”, one of which was used in the March 2008 bombing raid on a Farc encampment across the border with Ecuador which claimed the life of the Farc’s number two ‘Raúl Reyes’ (Luis Edgar Devia Silva).

As well as raising doubts about the government’s commitment to the peace process in the wake of the publication of this article, the Farc said it displayed “the sum of interests driving the deepening of the armed conflict”. The Farc said that while it was certainly not ignorant of much of what was reported, the article “clears up some things”. Ecuador’s President Rafael Correa, who broke off diplomatic relations with Colombia over the Reyes bombing, speculated that behind the “very serious” revelations could be interests opposed to the peace process. Colombia’s former president Alvaro Uribe (2002-2010) tweeted his response. He said that the US had helped Colombia locate Farc leaders so that the Colombian security forces, “under my responsibility”, could carry out the relevant operations.

It was somewhat ironic that the piece should have maintained that “the pace of operations against the Farc” had “greatly increased” under President Juan Manuel Santos with “almost three times as many Farc leaders — 47 vs. 16 — hav[ing] been killed under Santos as under Uribe.” Uribe’s main criticism of Santos is that he has allowed the security situation in Colombia to deteriorate. This week Uribe complained that there were no guarantees for his party Centro Democrático (CD) to conduct a national campaign ahead of congressional and presidential elections in March and May respectively. Santos fired back a series of statistics designed to rebuff Uribe’s claims (*see sidebar*), although he was not brazen enough to cite this particular statistic.

Security gains

President Santos claimed this week that major security gains were recorded in 2013. He said that there had been an 8% decline in the homicide rate on 2012 to 14,782 cases; 2,757 members of ‘emerging criminal groups’ (Bacrim), had been captured and 1,658 members of the neo-paramilitary group Los Urabeños in 2013; kidnapping had fallen by 4%, with no reported cases in 981 of 1,123 municipalities; “terrorist activity” had fallen by 24%; and 347 tonnes of marijuana were seized, the largest amount since 1993.

Fears Brazil's party year could impact growth

"Sell Brazil in 2014, and buy Brazil in 2015, regardless of who wins the election". This is the latest recommendation of the director of Foreign Exchange (FX) strategy at Royal Bank of Scotland (RBS), Flavia Cattannaslausky, in her note to clients. An overall budget deficit of 3.5% of GDP, stubbornly high inflation of 5.8%, and the government's commitment to subsidising energy and infrastructure were cited as reasons to disinvest. RBS's pessimistic assumptions for Brazil in 2014 are shared by a majority of local economists who now expect growth to be just 1.95%, according to a central bank survey of 100 analysts published on 3 January. Added to this is the concern that with Carnival so late this year, the World Cup due in June, and elections in October, there could be relatively little time for serious work.

Doing the rounds on Facebook is a joke calendar that suggests given all these festivities, and Brazil's traditionally generous allocation of public holidays, work will only be possible for three months this year. André Perfeito, an economist at Gradual Investimento, suggested that time off in 2014 could shave as much as 0.3% off GDP. The consensus opinion is that the impact will be far less pronounced, but given the other challenges the Brazilian economy is facing, the partying is unlikely to help.

Ratings agencies

Brazil received a mixed report card from the three credit ratings agencies at the beginning of January. Moody's said it had no intention of changing Brazil's investment grade of Baa2 in the foreseeable future, but it said that it was worried that the government's debt may have surpassed 60% of GDP in 2013. Previously when this threshold was breached, the ratio would come down the following year, but 2013 may have broken that cycle. It identified the main challenge for public finances as "the persistent increase of primary current spending".

Standard & Poor's, which downgraded the outlook on Brazil's BBB rating from stable to negative in June last year, said that it could cut the country's rating again this year. In an interview with journalists on 7 January the agency's director of sovereign ratings, Joydeep Mukherji, said, "We are not going to tie our hands just because it's an election year in Brazil. There is a possibility Brazil's rating could be lowered this year." He added that any rating downgrade would be minor and that Brazil would remain investment grade.

Mukherji said that growth was not the only factor to consider when allocating Brazil's credit rating. "Mexico had low growth in 2013, but its rating was upgraded in December." In contrast to Mexico, the analyst said that the long-term monetary and fiscal trends in Brazil tended towards a downgrade. Increased investment in the country's infrastructure, one of finance minister Guido Mantega's main boasts, was not necessarily sufficient to reverse this opinion. "If President Dilma Rousseff runs a successful auction of airports, this is good, but it is not a factor in changing the rating," Mukherji said.

Speaking on 3 January, the day after Brazil unveiled its worst trade balance in 13 years, Mantega said that investment and stronger exports will see the country's economy improve in 2014. Admitting that the US\$2.6bn trade surplus was a disappointment, Mantega said Brazil should be able to boost exports this year due to growing economic confidence in the US and Europe, where demand for raw materials is on the rise. He was keen to draw attention to the primary fiscal surplus which came in at R\$75bn (US\$31.5bn), ahead of target. Mantega said the healthy fiscal results had been helped by higher tax receipts, proof that the tax concessions granted by the government are working. There is widespread media speculation that Mantega will be removed from his post in a cabinet reshuffle before March, but Rousseff has stated clearly that he will retain his position.

Car sales down

Car sales in Brazil have fallen for the first time in a decade. New vehicle sales in Brazil, the world's fourth-largest car market, dropped 0.9% in 2013 and are expected to rise only 1.1% this year, Anfavea, the national carmakers' group, said on 7 January.

Fifa grumbles as Brazil misses stadia deadline

Six of the 12 stadia due to host World Cup matches missed Fifa's deadline of 31 December. Sepp Blatter, the Fifa president, complained in an interview with the Swiss newspaper *24 Heure*, that Brazil's preparations for the tournament were the most behind schedule of any host nation since he started at the organisation in 1975. President Dilma Rousseff, a recent convert to *Twitter*, posted a rebuttal stating Brazilians were confident all would be well and that her country would host "the Cup of Cups".

So far this year four workers have died in accidents at stadium construction sites in Manaus and São Paulo, where the opening match, on 12 June, is due to be held. Natal, Manaus and Porto Alegre are expected to be completed at some point this month; Cuiabá's Arena Pantanal is due to be ready in February and Curitiba's Arena de Baixada in March. São Paulo's Itaquerao will only be ready in mid-April. Though the *Jornal do Brasil* ran an editorial telling Brazilians not to listen to the 'mediocre' Blatter; an on-line poll in the tabloid *O Dia* found an overwhelming majority sympathised with his comments.

Separately, the government issued a thinly-veiled threat to the main domestic airlines, Gol and Tam to avoid 'abusive' prices during the competition. The cabinet chief, Gleisi Hoffman, due to step down shortly to run for office in her home state of Paraná (capital city, Curitiba), said the government would consider allowing foreign airlines to operate routes in the country if it deemed the fares excessive. Hoffman also warned the government would use its powers to prevent hotels charging outrageous prices. The government expects 600,000 foreigners and 3m Brazilians to travel during the tournament.

Empty threats

As for the question of opening Brazilian skies to foreign competition, aviation experts quoted in the local media expressed scepticism that such a complex procedure could be carried out at such short notice. "The logistics of it are complicated," Carlos Ebner, the president of the International Air Transport Association in Brazil, said. "We're not talking about buses here. The airlines would need at least three or four months in order to get organised."

'Jango', JFK and Operation Brother Sam

Until the extent of the US National Security Agency's activities was revealed, the main difference in foreign policy between President Rousseff and her predecessor, Lula da Silva, was in their attitude towards Washington. Following the leaks by Edward Snowden, Rousseff has been obliged to abandon her attempts to build a closer relationship with the US. That relationship is unlikely to be mended anytime soon. In the run-up to the 50th anniversary of the military coup on 31 March 1964 that forced the departure of President João Goulart ('Jango'), new details are emerging about the extent of Washington's support for the military takeover.

In a recording unearthed by the Brazilian journalist Elio Gaspari, President John F Kennedy raises the possibility of a military intervention in Brazil with the US ambassador, Lincoln Gordon on 7 October 1963, 46 days before he was assassinated. A plan to support the coup with military assistance, codenamed 'Operation Brother Sam', was authorised on 31 March 1964 by President Lyndon Johnson, but it was never put into effect as there was no significant resistance.

Interest in 'Jango' has spiked in recent months, following the government's decision to disinter his body to investigate the cause of his death in 1974. Previously attributed to a heart attack, Jango's family asked the national truth commission to examine claims by a former Uruguayan spy that he had been poisoned. Rousseff attended a lavish reburial ceremony of his remains on 18 December in Brasília. Two senators have also requested the official annulment of the congressional session that legitimised the coup that ushered in over two decades of military dictatorship.

And if they don't win?

In his interview with the Swiss paper *24 Heure*, Sepp Blatter said he expected there would be protests during the World Cup, although not on the scale seen during last year's Confederations Cup. This tallies with the opinion of most newspaper columnists in Brazil, but as Rafael Alcadapani, an academic from the Fundação Getulio Vargas (FGV) points out, the great imponderable will be how Brazilians react if their team exits the tournament early, leaving the country to pick up the bill for a very expensive party at which they are no longer welcome.

Economic problems await Fernández on return

President Cristina Fernández appears to be taking seriously her doctors' advice to work less. After a little over a month's medical leave of absence in October and November, she took a further 18-day break over Christmas. Her usually busy Twitter feed has been inactive since 13 December. In her absence the government has been struggling with a wage dispute with the provincial police forces that culminated in widespread rioting, and a heat wave that left much of Buenos Aires without power for days on end. Government communication has also suffered, as demonstrated by contradictory statements on a possible property tax increase.

On her return on 7 January, President Fernández held meetings with Jorge Capitanich, the cabinet chief; Julio De Vido, the planning minister; Oscar Parrilli, the general secretary of presidency; and Carlos Zannini, the presidential legal adviser. She also met Axel Kicillof, the economy minister, and the head of the tax office (Afip), Ricardo Echegaray. At the end of last week, Echegaray said that taxes on property would be reassessed to reflect current market value. On 7 January, Kicillof said that he had spoken to the President and could confirm that the government had no plans to change the tax. He also said that the idea had not even been discussed and that he intended to call Echegaray to find out what he was talking about. Kicillof's apparent mockery of Echegaray has contributed to local media speculation that he wants the head of Afip out, in order to reassert the economy ministry's control over the agency.

Another reason for Kicillof to stamp on Echegaray's comments is to prevent news of a tax increase obscuring the start of the latest government attempt to control the prices of staple goods. Beginning this weekend in a few supermarket chains in coastal cities, the 'Precios Cuidados' plan will see 194 basic goods have their prices fixed, under a voluntary agreement between the government, retailers and suppliers. Eventually the idea is to roll out the plan nationwide, with regional variations.

Though the move represents a new, softer approach to price fixing, Kicillof himself admitted the timing was not perfect. "It's not the best date of the year," he said. "It's the start of the summer holidays and many people are on the move. But we expect 100% compliance." Representatives from the supermarkets' association pointed out that stock is low at this time of year and that there were often no deliveries at weekends.

To ensure the supply of the 194 goods, the government is lifting import restrictions on those items. Interestingly, one of the first goods allowed in will be Brazilian tomatoes, due to the fact the Argentine crop was particularly poor this year. In Brazil, tomatoes have been considered the iconic symbol of inflation over the past year. The cost of the item rose an average of 48.3% in Rio de Janeiro in 2013.

The summer holidays have also resulted in a rise in the price of the black market, or 'blue', dollar, which reached a peak of Arg\$10.90 as tourists sought more greenbacks. Asked about its impact on the Argentine economy, Capitanich acknowledged it had some effect, but that the market was "illegal and marginal".

Tucumán police protests

On 7 January a judge in the north-western province of Tucumán remanded eight police officers in custody for their role in unrest in the province in December. The eight are accused of sedition and other crimes carried out during the wage protests which led to looting of stores and homes. According to investigators, there are photos, video recordings, and witness statements that prove their participation in an "armed uprising against the public provincial power" in an attempt to get the provincial government to accept their demands. Tucumán's government eventually agreed to a 35% wage increase. In some provinces, such as Chaco and Entre Ríos, the salary increases awarded to police forces are now being challenged, with local courts arguing they were obtained under duress.

Vaca Muerta deal

Wintershall, the largest crude oil and natural gas producer in Germany, signed a deal with the Patagonian province of Neuquén on 7 January to explore and develop 97 square kilometres of the Vaca Muerta shale gas and oil field. Wintershall, which has been operating in Argentina since 1978, will drill up to six wells in its initial exploration phase; an investment of 80m euros. The Vaca Muerta field is one of the largest of its kind anywhere in the world. The US Energy Information Administration (EIA) estimates it holds up to 16.2bn barrels of oil and 308 trillion cubic feet of gas.

Bachelet's electoral triumph was the easy part**RN travails**

In a further sign of the strain within the ruling Alianza por Chile after its heavy defeat in December's elections, three deputies from Renovación Nacional (RN) announced they were quitting the party on 7 January in order to form a new political party. The new political outfit, Amplitud ('Breadth'), as its name denotes, is designed to reach out beyond the traditional confines of the Right to more independent voters.

Keeping a lid on the simmering acrimony within the right-wing coalition Alianza por Chile in the wake of the electoral triumph of former president Michelle Bachelet (2006-2010) on 15 December is proving increasingly difficult. But, what is really interesting is monitoring the palpable difficulties experienced by Bachelet's Nueva Mayoría, a loose electoral alliance of seven parties from across the left of the political spectrum, in defining its future role once she takes office on 11 March. Bachelet herself made a call for unity within the Nueva Mayoría, something which was conspicuous by its absence during her last term in office when she headed the more ideologically attuned, and less unwieldy, quadripartite Concertación.

On 21 December in an interview with the national daily *La Tercera*, Andrés Allamand, a senator-elect for Renovación Nacional (RN), the junior partner in the Alianza, was unequivocal in pinning the blame for the electoral defeat on President Sebastián Piñera. "It is clear," Allamand said, "that the main responsibility for the electoral failure lies with Piñera and his government [...] the government thought that stuffing Chileans with figures of good economic performance would maintain their confidence and did not see the depth of ideological debate which emerged in society and then did not react adequately to it".

Allamand implied that Piñera had been far more focused on improving his own image ahead of a re-election bid in 2017. Another RN senator-elect, Manuel José Ossandón, said "this government is better than Bachelet's in management and administration but politically it is dreadful".

By comparison Patricio Melero, the president of the RN's coalition partner, Unión Demócrata Independiente (UDI), has been a model of equanimity. Melero called for unity within the Alianza and promised that it would not provide "a destructive opposition" to Bachelet, making the complex task of governing all the more difficult "as the Concertación has for President Piñera".

One of the big questions in the months ahead is how constructively Bachelet's Nueva Mayoría will work together and whether it will complicate her task of governing. On 21 December the president of the Partido Comunista de Chile (PCCh), Guillermo Teillier, revealed that the party had informed Bachelet of its "historic" decision to participate in her government. Teillier said that having taken part in the electoral campaign and played a role in the victory the party felt justified in belonging to the government. He said the decision among the 100 gathered party delegates was "unanimous". The PCCh won six seats in the lower chamber and, while Teillier denied it, is angling for a ministry.

Ignacio Walker, the president of Democracia Cristiana (DC), the most centrist of the parties in the Nueva Mayoría which has acute historical and ideological differences with the PCCh and is deeply suspicious of its intentions, said that members of the Nueva Mayoría would need to "assume the costs and benefits [of governing] during good times and bad times". He added: "I can safely say that the DC will be loyal to the government but I wonder if all the parties in the Nueva Mayoría can say the same." The obvious implication was that the PCCh could try and pressurise the government, with marches for instance, if it failed to get its way.

"I don't know what's eating him," Teillier responded in an interview with *La Tercera* on 22 December, adding that the PCCh would be steadfastly loyal to

Congressional leadership

Intriguingly, the Nueva Mayoría agreed that the presidency of the lower chamber of congress would go to Democracia Cristiana (DC) and the vice-presidency to the Partido Comunista. The DC will also pick up the presidencies of nine commissions, including the three most emblematic for Michelle Bachelet's programme of governance: finance, education, and constitution.

Bachelet's programme. He also responded to a question related to serious differences between the DC and the PCCh over Cuba by stressing that "our commitment is with Chile; we will comply with what the programme says with relation to foreign policy, a State policy which opposes destabilising other governments or interfering in their domestic affairs, and [advocates] integration and good neighbourliness."

This tense exchange formed the backdrop to a meeting between the presidents of the Nueva Mayoría on 6 January, their first since Bachelet's victory, to decide on the grouping's identity: governing coalition or political pact? After the meeting, Walker said that an agreement had been reached to define the Nueva Mayoría as 'a programmatic political accord' which would expire in March 2018, in other words a marriage of convenience not a close-knit coalition like the Concertación. Teillier described the Nueva Mayoría as "a governability pact to uphold President Bachelet's programme for four years". The party presidents agreed that spokesmen for the group would be rotated on a monthly basis.

Bachelet, meanwhile, held an evening dinner with Nueva Mayoría senators and senators-elect to underscore the importance of unity, stressing that she was intent on hitting the ground running: her main priorities in the first year - education, tax and constitutional reform - were already being drafted, she said.

URUGUAY | POLITICS

Mujica compelled to ring changes

Cabinet changes have been few and far between since President José Mujica took office in March 2010, but last December saw two in a matter of days – and to key ministries. Mujica reluctantly accepted the resignation of his economy and finance minister, Fernando Lorenzo, on 21 December, in the immediate wake of the announcement that Lorenzo will face an investigation by the supreme court into his role in the liquidation of the national air carrier, Pluna. He also appointed a new labour and social security minister after Eduardo Brenta left his position in order to run for a senate seat in general elections this October.

The Pluna debacle has been a running sore for the Mujica administration, which the opposition will be doing its level best to highlight this electoral year. Since the government's decision in June 2012 to assume full control of the ailing public-private company, there has been a series of judicial investigations into impropriety, mismanagement and even corruption.

Lorenzo resigned shortly after giving testimony on his role to an organised crime judge, who charged him and the president of the state-owned Banco de la República Oriental del Uruguay (Brou) with "abuse of powers" for their direct involvement in the dubious acceptance of, and commitment to underwrite financially, a bid by a little-known Spanish-Argentine firm, Cosmo Líneas Aéreas, in October 2012 to purchase Pluna's seven-strong fleet for US\$137m. Cosmo promptly pulled out of the purchase, claiming it did not have enough capital. The supreme court, which has dealt the government some painful reverses over the last year, will hear the case.

There was immediate local media speculation that the Pluna case had exposed the Achilles heel of *Astorismo*, the moderate economic policies pursued by the left-wing Frente Amplio (FA) coalition since it came to power in 2005 named after Danilo Astori, the incumbent Vice-President and economy minister under former president Tabaré Vázquez (2005-2010); and that a minister more attuned to the radical factions in the FA would now be appointed.

Montevideo port 'strangled' by Argentina

On 8 January Uruguay's civil navigation centre released a report which claimed that as result of the recent cargo transshipment restrictions imposed by Argentina, maritime cargo traffic passing through the port of Montevideo fell by 43% year on year in the last two months of 2013. Commenting on the report, Mario Baubeta, the head of the civil navigation centre, said that the figures show that Argentina's November decision to forbid shipments destined from being unloaded in Uruguayan ports was harming the Uruguayan economy. Pointing out that Uruguay's maritime transport industry is "deeply concerned" by the matter, Baubeta called on the government to "quickly" negotiate a bilateral agreement with Argentina at the next Southern Common Market (Mercosur) summit scheduled to take place in Caracas on 31 January.

Mujica immediately nipped this speculation in the bud. He accepted Lorenzo's resignation but insisted he had "no doubts" about his "ethical integrity and commitment to the national interest"; he emphasised that the government would feel the loss of Lorenzo profoundly. Mujica was pointedly flanked by Astori when he announced Lorenzo's resignation, and he allowed Astori a completely free rein in appointing his successor.

Astori selected Mario Bergara to replace Lorenzo. Bergara, who has a doctorate in economics from the University of California, Berkeley, served as deputy economy minister under Astori between 2005 and 2008 before picking up the presidency of the central bank (BCU), a position he had held up until this appointment.

Bergara said he anticipated facing "an enormous challenge" to maintain Lorenzo's policy direction. His main challenge will be the perennial struggle of staving off double-digit inflation. Inflation was 8.51% for the 12 months to November, well above the 6% fixed by the authorities.

José Bayardi, a former defence minister (2008-2009) replaces Eduardo Brenta as the new labour and social security minister. Brenta left his position in order to run for a senate seat at the head of the Vertiente Artiguista (VA) faction of the FA in general elections this October. Bayardi also hails from the VA, thus preserving the delicate balance of cabinet representation of different political factions within the FA.

TRACKING TRENDS

PARAGUAY | Underfunded 2014 budget. President Horacio Cartes signed into law the country's 2014 budget for G\$59trn (US\$12.89bn) on 6 January. Despite the fact that since assuming office in August last year Cartes persistently urged congress to refrain from introducing too many changes to the balanced budget proposal submitted by the executive, expenditures in the approved version of the budget exceed revenues by G\$3.8trn (US\$842.3m), or 2.7% of GDP. Congress increased the projected expenditures by some G\$640bn (US\$139m).

Problematically for the government, the resulting primary deficit is already above the limit (1.5% of GDP) established in the 'fiscal responsibility law' that Cartes himself pushed through congress last year in a bid to shore up the country's finances [WR-13-42]. Addressing this issue, a presidential statement that accompanied the promulgation of the budget in the official gazette pointed out that the government's plan was to implement a financial plan that would help it to make some savings and to raise additional funds from international organisations such as the Inter-American Development Bank, the World Bank and the CAF-development bank of Latin America in a bid to reduce the fiscal deficit to 1.7% by the end of the year. The statement added that the goal was to continue reducing the budgetary deficit so that this would fall within the fiscal responsibility law limit by 2015.

Meanwhile a note from the finance ministry highlighted that 53% of the budget has been allocated to social spending programmes as part of the Cartes government's efforts to reduce poverty and economic inequality. It also said that the budget allocates G\$4.2trn (US\$916m), G\$366bn (US\$79m) more than originally planned in the executive's draft budget.

The Cartes administration will need to be careful not to become over-reliant on external sources of financing given that foreign debt levels have experienced a significant rise in recent years. According to the latest figure by the central bank (BCP), Paraguay's foreign debt stood at US\$2.68bn in November 2013, 19.2% higher than in the same period the previous year.

Zapatistas in spotlight as Nafta turns 20

The government of President Enrique Peña Nieto will seek a constitutional reform this year to recognise the autonomy of the Ejército Zapatista de Liberación Nacional (EZLN), a senior official revealed on 1 January. The announcement comes as thousands of EZLN members marked the 20th anniversary of the launch of the armed Zapatista rebellion to oppose the entry into force of the North American Free Trade Agreement (Nafta) on 1 January 1994. The government's call for the re-establishment of dialogue, however, was not reciprocated by Subcomandante Marcos, the enigmatic and reclusive leader of the EZLN who released a laconic statement claiming that "it is cold like 20 years ago and like then there is a flag that shelters us: that of rebellion."

Mexico's commissioner for indigenous dialogue, Jaime Martínez Veloz, said the government would present a constitutional reform by "around February" which would harmonise Mexican law with the United Nations (UN) declaration on indigenous rights to recognise the autonomy of the Juntas de Buen Gobierno (the so-called 'councils of good government' set up by the EZLN in its area of influence in the highlands of the south-western state of Chiapas) and provide them with the legal tools to resolve disputes and defend their natural resources, as well as addressing the issues of land and political participation.

Martínez Veloz said this reform had been put together over the course of the last six months by the interior ministry with the assistance of assorted experts. He conceded that the government currently had no contact with the EZLN but that it was hopeful that this unilateral initiative to reactivate dialogue would be well-received, restoring the EZLN's confidence in the government, and that 2014 would be 'the year to define indigenous reforms'.

Zapatista protests

The EZLN did not give the impression of having any desire to talk to the government during a commemorative event on the 20th anniversary of the rebellion in San Cristóbal de las Casas, the 'cultural' capital of Chiapas, attended by several thousand people. This event was a far cry from last year, when an estimated 40,000 people (including thousands of masked Zapatista protesters) staged marches in what was the biggest mobilisation since 1994, but the rhetoric was unchanged.

EZLN leader 'Comandanta Hortensia' said that the EZLN had given up on political parties 20 years ago and called for the organisation of "resistance at all levels". Felipe Arizmendi, the bishop of San Cristóbal de Las Casas, said the EZLN "lives on, no longer as a military option but as a social and political organisation fighting for a decent life [...] showing that autonomy is possible without dependence".

Nafta's record

Marcos himself failed to attend the gathering, and it is difficult to imagine him being receptive to government overtures. Back in 1994 he argued that Nafta "represents a death certificate for Mexico's indigenous ethnic groups", and he has not departed from this core belief. The front cover of the left-wing paper *La Jornada* on 31 December echoed his words: 'Nafta, 20 years of nightmare, say NGOs'. It said that Nafta had devastated farming, dismantled national industry, and led to increased unemployment. While by far the most critical, it was not the only paper to raise serious questions about the benefits of Nafta, with economic growth averaging just 2% a year, barely more than population growth, over this period.

**Subcomandante
Marcos**

It is worth recalling that the sister of Subcomandante Marcos, Mercedes del Carmen Guillén Vicente, formed part of the transition team of President Enrique Peña Nieto and is currently serving in his cabinet as the undersecretary for population, migration and religious affairs at the interior ministry.

Rebellion

While the Zapatista rebellion has drifted into Mexican folklore over the last 20 years, groups still periodically emerge promising to pick up where it left off. On 2 December a group of masked and armed individuals in the south-western state of Guerrero read out a public statement announcing the creation of the Fuerzas Armadas Revolucionarias-Liberación del Pueblo (FAR-LP), promising “an armed uprising” against the local and federal governments. Another leftist group of insurgents, the Ejército Popular Revolucionario (EPR), burst onto the scene in Guerrero in 1996, targeting the state oil infrastructure and security forces in a violent but ultimately short-lived campaign.

While blaming Nafta for this underwhelming performance is easy, it is not readily borne out by statistics. The national daily *Reforma* published a table on 1 January showing some massive increases in agricultural exports over the last 20 years: avocado, 4,543%; corn, 3,328%; meat, 2,588%; and beans (frijoles), 1,446%. Unemployment, 3.7% in 1994, reached 4.5% in 2013, hardly a stratospheric increase, while about half of all the jobs created in Mexico in the last two decades are related to foreign trade. Non-oil exports sextupled in 19 years from US\$53.3bn in 1994 to US\$317.8bn in 2012, while total sales to North America increased by a massive 572%, more than the original target of Nafta. Mexico had a trade deficit of US\$1.66bn with the US in 1993; it posted a surplus of US\$61.64bn in 2012.

By contrast, the EZLN system of ‘uses and customs’ has been far from an unqualified success in terms of bringing prosperity to its areas of influence in Chiapas. The daily *La Razón* ran a series of pieces in December arguing that the areas in Chiapas under the control of the EZLN have grown poorer over the last 20 years. In part, the paper claimed on 18 December, this is because the EZLN authorities have refused to allow government economic and social initiatives, which have taken the edge off extreme poverty in other communities nationwide, to be implemented.

In San Andrés Larráinzar, where the accords between the government and the EZLN were signed in 1996, food poverty stood at 68.7% in 1990, according to the national council for the evaluation of social development policy (Coneval); by 2010 this was 81.3%. There have been similar increases in other communities under EZLN jurisdiction.

TRACKING TRENDS

MEXICO | Energy reform. President Enrique Peña Nieto promulgated the landmark constitutional reform to the energy sector, ending the 75-year monopoly of the state oil company Pemex, within hours of returning from a state visit to Turkey on 20 December. Peña Nieto delivered a speech in the national palace to assembled dignitaries and political leaders, hailing a “historic reform, fundamental for the future of Mexicans [because] it will start a new stage of development for the country.” He also thanked congress for its expeditious approval of what he described as “one of the most significant reforms in the last five decades”.

The ruling Partido Revolucionario Institucional (PRI) now has 120 days with the right-wing Partido Acción Nacional (PAN) in which to push through congress associated secondary legislation spelling out the rules for new investors in order to begin to enact the reform.

The left-wing Partido de la Revolución Democrática (PRD) is planning a demonstration against the reform on 31 January, and is mounting a challenge before the supreme court on constitutional grounds. It is also hoping to win judicial approval for a binding referendum on the issue alongside mid-term congressional elections in 2015. As such, the PRD party president, Jesús Zambrano, expressed confidence that potential investors in the energy sector would be deterred by the “enormous juridical uncertainty” hanging over the reform.

This bleak evaluation of the situation was not shared by the ratings agency Standard & Poor’s which, on 19 December, raised Mexico’s long-term foreign currency rating to “BBB+”, citing a “watershed moment” and “a significant change that can make a meaningful change for the growth outlook” by attracting private investment and propelling growth within the next few years. The energy minister, Pedro Joaquín Coldwell, confidently claimed on 8 January that Mexico would attract US\$10bn of additional foreign direct investment (FDI) annually to the energy sector as a whole (hydrocarbons and the electricity system) as a result of the reform.

“(Indigenous hero) Túpac Katari, before being drawn and quartered 232 years ago, said ‘I will return and I will be millions’. I feel that now, from Space, Túpac Katari will be our light, he will be like millions.”

Bolivia’s President Evo Morales celebrates the launch from China of Bolivia’s first satellite, Túpac Katari, on 20 December.

“Rebellion, friends and enemies, is not the exclusive patrimony of neozapatistas but of humanity. And this is something to celebrate [...] because rebellion is also a celebration.”

Mexico’s Zapatista leader Subcomandante Marcos.

“We have had turbulent days, much controversy, and we must agree that the times are as we make them. If we are better, the times will be better [...] A house divided against itself cannot stand.”

Chile’s President Sebastián Piñera.

Haiti hosts clear-the-air talks with Dominican Republic

The governments of Haiti and the Dominican Republic (DR) sought to put months of bilateral diplomatic tension behind them on 7 January during a meeting in the Haitian border town of Ouanaminthe (Juana Méndez). The talks covered migration, environment, trade and security issues. The most significant issue to be broached was the controversial ‘nationality’ ruling by the Dominican constitutional tribunal (TC) last September affecting three generations of Dominicans of Haitian descent.

The talks were headed by Haiti’s Prime Minister Laurent Lamothe and the Dominican minister of the presidency, Gustavo Montalvo, with foreign affairs, interior and trade ministers taking part. Both countries agreed in a joint declaration to follow-up talks on the first Monday of each month in alternate countries, starting on 3 February in the DR. Representatives from Venezuela, the European Union, the United Nations and the Caribbean Community (Caricom), which irked the Dominicans with its forthright criticism of the TC’s ruling, will be invited to attend as observers and to make recommendations.

The thorniest issue was over immigration and nationality. Haitian representatives agreed that the DR had the sovereign right to determine its own policies in this regard. The Dominicans reciprocated by agreeing to a Haitian appeal to take concrete measures to preserve the rights of persons of Haitian origin. The Dominicans promised to provide visas to temporary Haitian workers; Haiti, meanwhile, will undertake to provide passports to its nationals who travel to the DR to work.

Separately, the Dominicans promised to drive forward a reforestation programme along the shared border, announced last June the day before Haiti incensed the DR by banning poultry and egg imports from its neighbour, citing avian flu [WR-13-24]. Representatives struck an accord on trade reciprocity measures to enable the entry without delay of products from both countries and undertook to agree protocols to allow the joint combating of organised crime and drug-trafficking. The bilateral joint commission will also be reactivated to monitor all of the decisions taken during the monthly talks.

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