

latin american weekly report

13 March 2014, WR-14-10

ISSN 0143-5280

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

Latin American Newsletters since 1967

Congressional results strengthen prospects for peace in Colombia

There was added spice to Colombia's congressional elections on 9 March as they marked the return of former president Alvaro Uribe (2002-2010) to frontline politics. Uribe won more votes than any other candidate running for a senate seat and his fledgling party outperformed established traditional parties to finish second only to the Partido de la U (PU). Crucially, however, the tripartite ruling coalition behind President Juan Manuel Santos retained a decisive majority, albeit reduced, in the lower chamber and a commanding presence in the senate. A future peace deal with the Fuerzas Armadas Revolucionarias de Colombia (Farc), the motivating factor behind Santos' re-election bid on 25 May, cannot now be derailed by congress as left-wing parties will provide Santos with a majority in the senate when it comes to approving associated legislation.

Uribe dents Santos edifice

Uribe's Centro Democrático (CD) party won 19 seats in the 102-seat senate and 12 in the 166-seat lower chamber, with a chance of winning seven of the remaining 10 seats yet to be defined. It was an impressive haul, which the CD presidential candidate, Óscar Iván Zuluaga, said "changes the political map". Yes and no. In its very first electoral contest the CD won two more senate seats than the traditional Partido Liberal (PL) and the same number as the Partido Conservador (PC). Only the PU, with 21 seats, performed better (*see table overleaf*). The CD, led by Uribe, will provide a hostile bloc united against Santos. But it is a personalist party which owes its 2.23m votes entirely to Uribe's popular support, which suggests that the best Zuluaga can hope for, without Uribe's name on the ticket, is a distant second and a run-off, without unduly troubling Santos.

The CD picked up seats in the former president's native department of Antioquia, as well as conflict-riven departments such as Arauca, Caquetá, Casanare and Tolima, where Uribe's tough line on security still attracts strong support. Uribe still fell short of the seats he requires to obstruct Santos' peace agenda though, meaning Santos was justified in describing the results as a victory for "the coalition of peace". Santos said that if he won re-election he would seek "total peace", by which he meant not just a peace accord with the Farc, and the Ejército de Liberación Nacional (ELN), but also "very ambitious goals" in the area of socio-economic development to secure the peace. This would be the main focus of his running mate (and prospective Vice-President), Germán Vargas Lleras, the leader of Cambio Radical (CR), which benefited from his nomination by Santos by winning two more congressional seats than in 2010.

There was an element of relief, as well as a hint of suppressed glee, when Santos congratulated Uribe for "a dignified second place", adding that he hoped that "hatred and resentment can be put behind us to work for the good of the country". This is unlikely. Santos and Uribe engaged in an unedifying Twitter row during the investiture of Chile's Michelle Bachelet on 11 March

The third man

Enrique Peñalosa won the Alianza Verde (AV) primary election to become the party's presidential candidate on 9 March. He took 48% of ballots cast, or 1.63m votes. Peñalosa, a former mayor of Bogotá (1998-2001), is vying with Óscar Iván Zuluaga for a place in a run-off with President Santos, according to opinion polls, and now that he has become the party's official presidential candidate he can concentrate on his campaign and should attract more support.

over the support an incoming president might expect from his predecessor, and Uribe's CD promptly accused the PU of "cheating voters" in the senate contest, claiming that the government had channelled "an enormous amount of money through congressmen to buy votes in many parts of the country".

The CD issued a press release on 12 March accusing the electoral registry of failing to award the party some 250,000 votes (based on the CD's own investigations) due to fraud and electoral tampering. The electoral registry dismissed the CD's claim, arguing that the pre-count it had made public was an initial guideline; "informative" but with "no legal value". It said the votes were reviewed for the official tally. It also informed the CD that "transparency measures" were in place, enabling the party to be able to oversee the preliminary results. International observers found nothing untoward about the elections.

Uribe did successfully deny Santos' coalition a clear majority in the senate, where it has 47 seats (PL, 17; PU, 21; and CR, nine), but when it comes to voting on peace-related legislation, such as the Farc's future political participation, Santos will be able to rely on 10 more senate seats from the left-wing Polo Democrático Alternativo (PDA) and the Alianza Verde (AV), giving him a majority. Santos' coalition will also have at least 92 of the 166 seats in the lower chamber, a comfortable majority.

All of this reckons without the PC, which could well fall in behind Santos again if he is re-elected. Given its serious internal divisions, the PC exceeded its own expectations, with 19 senate seats and 27 lower chamber seats. Only three of the senators-elect have expressed public support for the PC's presidential candidate, Marta Lucía Ramírez; many of the others support Santos, although Uribe will lobby the party hard to try and forge a bulkier opposition bloc in the senate.

A smattering of controversial deputies and senators were elected for various political parties but the Partido de Integración Nacional (PIN), re-branded as Opción Ciudadana, did not fare as well as 2010 when it was the fourth biggest party in the senate with nine seats. The PIN, comprised of relatives or pawns of politicians jailed for links with paramilitary groups (the parapolitics scandal which has not been effaced), won five senate seats and six seats in the lower chamber, half as many as 2010, mainly in the north-central department of Santander and Caribbean department of Sucre. Doris Clemencia Vega, wife of former senator Luis Alberto Gil, the PIN founder who was sentenced to seven years in jail in 2012 for parapolitics, for instance, won a seat in Santander; Teresa García Romero, sister of former senator Alvaro García, serving a 40-year sentence for collusion with paramilitaries, was returned to the senate in Sucre.

Composition of current and incoming congress (provisional results)				
	Senate		Lower chamber	
	2010	2014	2010	2014
Partido de la U	28	21	47	37
Centro Democrático	-	19	-	12
Partido Conservador	22	19	38	27
Partido Liberal	17	17	37	39
Partido de Integración Nacional*	9	5	12	6
Cambio Radical	8	9	15	16
Polo Democrático Alternativo	8	5	4	3
Alianza Verde	5	5	3	6
Others	5	2	10	10
Total	102	102	166	166**
* The PIN renamed itself Opción Ciudadana for the 2014 elections.				
** 10 seats remain to be defined.				

Capriles down a cul de sac?

The academic and Venezuela expert Miguel Tinker Salas suggested last week that “by seeking Maduro’s ouster through undemocratic means and without majority support, the opposition has once again entered a ‘callejón sin salida’, a political dead end”. Given the echoes of the April 2002 coup attempt in the ‘La Salida’ movement, Tinker Salas warns that “many [again] question their commitment to democratic principles and their ability to unite all of Venezuela. Having radicalised their base, they now face the daunting task of demobilising their followers if they are to salvage any credibility in future elections,” he asserts. As for Capriles, he faces “a scenario similar to the Republicans in the US as they confront the Tea Party wing of the party. To remain the leader of the opposition Capriles has to appeal to the more radical right-wing that refuses to negotiate with the government under any condition. However, to win elections he has to gain the support of disgruntled Chavistas and poorer sectors”.

ANDEAN COUNTRIES

VENEZUELA | POLITICS & DIPLOMACY

Unasur flies in to rescue peace and democracy

Foreign ministers from the 12-member Union of South American Nations (Unasur) decided on 12 March to send a commission to Venezuela to “accompany, support and advise on a broad and constructive political dialogue aimed at recovering peaceful coexistence in Venezuela, considering the installed ‘national peace conference’”.

Venezuela’s Foreign Minister Elías Jaua, who attended the two-hour extraordinary meeting in Santiago, Chile, afterwards said that Unasur had offered its support “to guarantee peace and democracy in Venezuela”. Democracy is the operative word here – led by Brazil, the region has made it clear that it will not contemplate an institutional rupture. Unless the internal situation deteriorates sufficiently to force President Nicolás Maduro to resign, which is not impossible, Venezuela’s political opposition has no choice but to wait until late 2015, when the next legislative elections fall due. In 2016, the mid-point of the current term, the option of a recall referendum against the president also opens up.

The main opposition leader Henrique Capriles Radonski, who has made clear that he defends the constitutional right of students and others to freedom of expression and peaceful protests, continues to condition the opposition’s presence at President Maduro’s ‘national peace conference’ on a set of 10 points, including the need for a mediator and the release of all those detained during the protests, including the radical opposition leader Leopoldo López, leader of the ‘La Salida’ movement seeking to force Maduro’s exit and accused by the government of trying to mount ‘a slow coup’. López has been held in solitary confinement in a military prison for three weeks, with no trial date in sight.

Capriles, who is now caught between the radical and moderate opposition and has made repeated calls for an end to the violence on both sides, has had little political incentive to sit down with Maduro up to now. However, with Unasur getting involved, there will be some onus on him to take a step towards the negotiating table. Otherwise the Maduro government will be able to portray the opposition as boycotting not only national dialogue, but democracy itself.

As the Unasur ministers sat down in Santiago, there were three more deaths in Venezuela in demonstrations marking a month since the first protests began on 12 February. The three fatalities occurred in the country’s second city, Valencia (capital of Carabobo state). The worst of the violence remains heavily concentrated in the Western states of Táchira and Mérida, where cities like San Cristóbal are effectively paralysed. The government claims that agitators trained (and possibly armed and financed) in Colombia are key players in the unrest in these areas. It also says that some of the unrest is due to its attempt, as part of efforts to defeat the ‘economic war’ being waged upon it by the far Right, to crack down on the illegal smuggling of fuel and other essential goods in these states.

At least 26 people, including anti- and pro-government supporters, members of the security forces and passing civilians, have now died in protest-related incidents, some reportedly shot dead by snipers. Perhaps emboldened by the Unasur statement, President Maduro hardened his rhetoric on 12 March, promising “drastic measures” to curtail the violence. Security forces refused to allow student protesters into central Caracas, even as pro-government supporters celebrated downtown.

Another grim prediction by Dieterich

The German left-wing academic Heinz Dieterich, a one-time adviser to the late President Hugo Chávez, told Germany's *Spiegel Online* on 3 March that he gave President Maduro no more than "eight weeks" and said he would "probably be supplanted by a *junta* government". "For the military and *Chavista* governors, it's clear that his policies undoubtedly mean the end of the Bolivarian era. Politics needs to do a 180° turn or everything will be lost". Back in November, Dieterich accused Maduro of "suicidal" economic policies and a "pro-cyclical discourse" that would accelerate a total systemic collapse. He forecast an end to the Revolution in 2014, with "social commotion, followed by a military regime or general elections that will be won by the Right; Washington, Miami, (Alvaro) Uribe and (José María) Aznar".

The students say they are in it for the long haul, but it may become difficult for them to maintain the current momentum. There are signs of public fatigue with the daily disruptions, particularly in the capital, and this allows the government to paint the protests as led by privileged middle-class students disconnected from ordinary Venezuelans and infiltrated for violent ends by far right-wing elements, financed from abroad, which are intent on destabilising the country.

The real key for the Maduro government is to stabilise the economy, as that would take the heat out of much of the protests. Unasur recognises this; the Brazilian diplomat Marco Aurélio Garcia, President Dilma Rousseff's presidential adviser on foreign affairs, told journalists on 5 March in Caracas that the Maduro government is "certainly" worried about the economic situation and is "trying to find a solution". "Now, what's evident is that economic measures need a certain political climate to be implemented," he emphasised (*see box below*).

The Unasur statement called on Suriname, the body's current pro-tempore president, to organise the commission of foreign ministers for a first meeting, no later than the first week of April. Likely commission members could include the foreign ministers of Brazil, Chile and Peru, and potentially Uruguay.

Deal with it then, a disgruntled US tells Unasur

The otherwise-absorbed US Secretary of State John Kerry on 12 March put the ball firmly in Unasur's court, saying that he hoped the region would be able to bring about a negotiated solution to the Venezuelan crisis. He tacitly admitted that the US had been rebuffed in its efforts to convene a summit of the main hemispheric Organization of American States (OAS) on Venezuela. "We have contacted neighbouring countries. We are speaking with them to try some initiative, but they are not paying us special attention," Kerry stated in a House of Representatives hearing.

Kerry stressed that the US was "prepared, if necessary, to invoke the Democratic Charter of the Organization of American States (OAS) and get involved in various ways, through sanctions or otherwise, but the economy there is already quite fragile". He admitted that the US did not want to hurt ordinary Venezuelans. He again rejected the Caracas government's conspiracy theories. "We've become an excuse. We're a card they play. And I regret that, because we've very much opened up and reached out in an effort to say, 'it doesn't have to be this way'."

Sicad – a sort of a panacea?

The new foreign currency allocation system, Sicad 2, is finally due to launch, after the government published the technical details and regulations in the official gazette this week. Sicad 2 effectively amounts to a reintroduction of the old 'permuta', the foreign exchange swap mechanism shut down in 2010 by the late president Hugo Chávez (1999-2013). Under the 'permuta', dollars were sold at a floating rate determined by a formula linked to bond prices. Chávez closed it, alleging that private brokers were earning speculative profits, but that decision merely led to a massive surge in illegal black market trading.

The vice-president for economic affairs, Rafael Ramírez, says the Sicad 2 will hold foreign exchange swaps every day, in a combination of cash and bonds, at a daily fluctuating rate. This will amount to a sort of controlled float, analysts suggest.

Notably, the state oil company *Petróleos de Venezuela* (Pdvsa) will be able to sell its dollars through the system; to date it has been obliged to use the official fixed rate of BF6.3/US\$1. This should ease some of the financial pressures on Pdvsa. Analysts expect the Bolívar to trade at anywhere between BF25/US\$1 and BF40/US\$1. The parallel rate is now trading at BF78.11/US\$1 on the Colombian border, coming in from upwards of BF80/US\$1 latterly, but the premium between the Sicad 2 rate and the parallel rate is likely to remain high given the scarce dollar supplies in the country. Total central bank international reserves are at US\$21.6bn, down US\$8.0bn on a year ago.

FDI

According to the latest report on Foreign Direct Investment (FDI) by the United Nations Economic Commission for Latin America and the Caribbean (Eclac), released on 14 May 2013, Bolivia's hydrocarbons sector accounted for 63% of the total US\$1.06bn received in FDI in 2012 (which was up 23% on the previous year), well ahead of manufacturing (12%). According to the Eclac report, YPFB and foreign companies invested US\$1.59bn in hydrocarbons operations in 2012, a figure which could rise by 40% in 2013. YPFB will make 64% of these greenfield investments, with the remaining 36% to come from private companies, including Repsol (US\$372m); Petrobras (US\$179m); France's Total (US\$118m); and Argentina's Pluspetrol (US\$104m).

More clouds over relations with Brazil

Carlos Villegas, the head of Bolivia's state-owned oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), and his Brazilian counterpart, Erick Portela of Petrobras, have signed a new contract to explore hydrocarbons in Bolivia's Cedro area, in the eastern department of Santa Cruz. The deal was preceded by other agreements to increase Bolivian gas exports to Brazil. Bolivia's foreign minister, David Choquehuanca, is due to meet his Brazilian peer Luiz Alberto Figueiredo next month to discuss bilateral relations, which have yet to recover completely from the spat in September 2013 after Bolivian asylum-seeking politician Senator Roger Pinto was smuggled out of Bolivia by a Brazilian embassy official [WR-13-34]. However, relations could come under further strain amid claims that two hydroelectric dams located in Brazil could bear some responsibility for some of the worst flooding Bolivia has seen in recent years.

The new YPFB-Petrobras contract, which was signed on 2 March, followed an agreement inked on 25 February whereby Petrobras, which along with Spain's energy company Repsol is a major source of foreign investment in Bolivia's hydrocarbons sector (*see sidebar*), would carry out exploratory studies on three areas already reserved for YPFB - Ingre, Capiguazuti and Río Salado. On 17 February YPFB announced that it had signed a 20-day contract five days earlier with a thermoelectric plant in Brazil's western city of Cuiabá to export 2.24m cubic metres of gas a day (mmcm/d) to cover extra demand generated by construction projects ahead of the 2014 World Cup and 2016 Olympics.

This is in addition to the current 31 mmcm/d of natural gas exported by Bolivia to Brazil as per a 1996 Gas Supply Agreement (GSA). Villegas also announced plans to sign a further two-year contract with Brazil (running from March 2014-December 2016), at an as-yet-unspecified date, while on 9 February he announced that plans to renegotiate the permanent contract – as requested by Petrobras – have been postponed until 2015 following the October 2014 general elections in Brazil.

The importance of Brazil as both a trading partner and source of investment is evident in the latest figures from Bolivia's central bank. According to the most recent central bank report (December 2013) on trade and foreign direct investment (FDI), Brazil was Bolivia's third largest source of foreign investment in the first six months of 2013, accounting for US\$81.1m of the total US\$962.5m registered - behind Spain (US\$414m) and Sweden (US\$141.8m). According to the same report, Brazil remains Bolivia's biggest market for exports, accounting for US\$3.67bn of Bolivia's US\$10.2bn of exports in 2012. Gas made up nearly all of Bolivia's exports to Brazil - US\$3.57bn. (Total gas exports reached US\$5.9bn in 2012).

Yet relations have yet to fully recover from the September 2013 dispute caused by Pinto's escape. The former senator remains in Brazil despite the fact that the deadline for the government led by President Dilma Rousseff to make a decision on his situation expired on 24 February. The incident resulted in the sacking, among other officials, of Brazil's ambassador to La Paz, Marcel Biato, who has yet to be replaced. Bilateral relations could come under further strain amid claims levelled by local NGOs in Bolivia that two mega-dams located in Brazil - the 3,750MW Jirau project and the 3,150 MW San Antonio complex, both on Brazil's Rio Madeira - could have exacerbated flooding in the eastern region of Beni, the area worst hit by recent floods which left at least 60 dead in Bolivia. On 4 March Defence Minister Rubén Saavedra announced that a high-level bilateral commission would carry out a "serious study" to determine the responsibility of the Brazilian mega-dams while the following day, Choquehuanca told reporters that the issue would be discussed during Figueiredo's visit to La Paz, which is scheduled for 7 April.

IATA warns Venezuela

On 12 March Tony Tyler, the director general of the International Air Transport Association (IATA), warned that additional airlines could stop services to Venezuela amidst the row over the accumulated US\$3.7bn in cash owed to a string of carriers. Tyler's warning follows the recent decision by Colombia's Avianca to reduce its number of flights and destinations serviced in Venezuela as a result of the problems it has encountered with securing payment. Tyler said that he had written to Venezuela's President Nicolás Maduro over the lack of progress in negotiations over the foreign currency-related debt. "It is unacceptable that Venezuela is not playing by the rules to which it is treaty-bound. I know some airlines are considering whether to stop flying [there] altogether. We very much hope that won't be the case but each airline is making its own commercial decision," Tyler stated.

PERU | Stable growth, inflation forecasts. On 7 March Peru's central bank (BCRP) released the February instalment of its monthly survey of local economists, which found that the consensus inflation and economic growth forecasts have remained stable at 2.6% and 5.6% respectively.

The inflation forecast is well within the BCRP's target range of 1%-3% and, in fact, slightly lower than last year's figure of 2.86%. However, the growth forecast is markedly lower than the official growth forecast for the year of 6%.

Still, the consensus growth forecast was in fact upwardly revised from the 5.5% expressed in the previous survey. This suggests that after posting a growth rate of 5.02% last year, the lowest result for the Peruvian economy in four years, attributed to the slowdown in demand from China, local economists believe that Peru's economy will avoid a prolonged slowdown this year with growth once again starting to accelerate.

COLOMBIA | Oil production on the up. On 11 March Colombia's energy & mining ministry (Minminas) reported that crude oil production in the country in February was of an average of 1m barrels per day (bpd), 0.5% more than in February 2013.

As part of its efforts to promote Colombia's economic development, the government of President Juan Manuel Santos has said that one of its goals is for oil production to reach an average of 1m bpd a year. This result was achieved for the first time last year according to Minminas figures published in January, which showed that average daily production for the year was 1.007m bpd. Last year's result represented a substantial 6.6% increase on the previous year and was hailed by Minminas as a product of the government's implementation of a "national policy designed to ensure the sustainable growth of the oil sector".

Minminas has said that it expects production to increase further this year as the government continues to pursue its energy policies aimed at "promoting investment in the sector". The latest figures suggest that this will indeed be the case; however, they are still a way off from the forecast made by Colombia's oil association (ACP), which groups private oil firms operating in the country, which has projected that national average production will hit 1.03m bpd this year.

On the up side, Minminas' report pointed out that the February 2014 result was achieved despite the fact that oil production at the Chichimene field in Meta department was stopped for two full weeks last month due to protests by the local community.

More encouragingly for Colombia, at the recent Cambridge Energy Research Associates (CERA) annual conference held in Houston, Texas, between 3 and 7 March, attendees highlighted that energy sector investors currently have "a big appetite for Latin America", and that countries with clear rules and political stability, such as Peru, Colombia and Uruguay, should be able to attract investments, particular for those looking for low-risk opportunities.

COLOMBIA-PERU | Leading the way in employment prospects. On 11 March the US multinational human resources consulting firm, ManpowerGroup, released the results of its quarterly Employment Outlook Survey, which measures hiring confidence levels among 66,000 employers operating in 42 different countries. It found that employment prospects in Latin America were the highest in Costa Rica, Colombia and Peru.

According to Manpower, 22% of employers surveyed in Costa Rica said that they expected to increase their number of staff in the second quarter of 2014. The Central American country was closely followed by Colombia and Peru, with 19% of employers surveyed in both countries saying that they expected to hire more employees during the period.

Significantly, the survey results show that while hiring prospects in Costa Rica had remained largely stable compared to the previous quarter, hiring prospects in Colombia and Peru had increased by 2% and 3% quarter-on-quarter on the back of "strong optimism in the transport/utilities, finance and insurance, and real estate sectors".

Bachelet under pressure to perform**Maduro misses event**

The only notable absentee among the regional heads of state at the inauguration ceremony was Venezuela's President Nicolás Maduro, who sent his foreign minister, Elías Jaua, in his place. In an interview with the Chilean daily *El Mercurio*, the US representative at the ceremony, Vice-President Joe Biden, called the situation in Venezuela "alarming", adding that it "reminds me of past times, when strongmen governed using violence and oppression; human rights, hyperinflation, shortages and extreme poverty ravaged the peoples of the hemisphere".

Michelle Bachelet took office for a second time on 11 March, receiving the presidential sash from the leader of the senate, Isabel Allende, daughter of the coup-toppled former president Salvador Allende (1970-1973). Outgoing President Sebastián Piñera pinned the star of Bernardo O'Higgins, Chile's liberator, on the sash during the inauguration ceremony in congress. When Piñera was sworn in four years earlier in Valparaíso, fierce aftershocks left congressmen and visiting presidents looking anxiously at the ceiling overhead. Bachelet faces a figurative earthquake with 19 social organisations planning a "march of marches" as early as 22 March to demand a constituent assembly to reform the constitution dating back to the post-Allende dictatorship. This makes it clear that she will not be granted the traditional 100-day honeymoon to settle in.

Bachelet's main campaign promise when she first won election in 2006 was to provide "social protection from the cradle to the grave". Addressing a crowd of upwards of 5,000 people from the La Moneda presidential palace in Santiago after returning from her investiture this time around, Bachelet again focused on income redistribution, stating emphatically that "Chile has only one great adversary: inequality. And only together will we be able to defeat it."

Bachelet raised expectations during her campaign, with her promise of tax, education and constitutional reforms and she kept the bar high: "It's time to take this road that we committed to through our government programme; it's time to launch these dreams toward a nation that is more just, developed, modern, tolerant and inclusive." She committed herself to carrying out 50 measures during the first 100 days of her mandate, including sending an education reform and a tax reform to congress.

But for some groups hitting the ground running is not enough, they want to see Bachelet sprinting from the off: 19 social organisations have announced that they will stage a 'march of marches' in Santiago on 22 March to demand a new constitution. The organisers (<http://www.marchadetodaslasmarchas.cl/index.html>) issued a statement calling for free quality education; a new labour code; self-determination for indigenous people; same-sex marriage; therapeutic abortion; modernisation of State drug policy; and immigration 'regularisation', to be enshrined in a new constitution drafted by a constituent assembly and not congress.

This puts Bachelet in a quandary. She has promised to address many of these demands by means of individual reforms, but her electoral manifesto was short on detail when it came to both the content and the forum for constitutional reform, something she promised to move on in the second half of 2014. Last July Bachelet offered perhaps the clearest take on her position, suggesting that her preferred route was through congress but that "If the parliamentary world does not move with the times [...] if we cannot channel this expression on the street, people will look for other mechanisms. To opt for an [existing] institutional mechanism means demanding more of our institutions; that they respond to today's needs." The implication was that she sees congress as the right place to reform the constitution but that if the right-wing Alianza por Chile coalition seeks to thwart her here, a constituent assembly could be an option.

The Alianza will fight tooth and nail to prevent the convening of a constituent assembly, which it sees as the tool of the region's radical left-wing governments, espousing democratic participation to 'refund' the State while concealing an authoritarian agenda. The Alianza argues that there is no provision in the constitution for a constituent assembly, and so it

Inflation up

Brazil's inflation rose slightly higher than expected in February, led by a sharp, seasonal jump in school tuition fees and a strong increase in prices of home appliances and furniture. The IPCA consumer price index rose 5.68% in the 12 months through February, up from 5.59% in January.

would have no legal validity. Bachelet lacks the requisite two-thirds majority in congress for constitutional reform. But it is possible that fear of social agitation for a constituent assembly could make the Alianza amenable to reaching a compromise with the Bachelet administration over reforming the constitution in congress.

Any constitutional reform would eventually go to the people in the form of a plebiscite but it will need to have public input (perhaps through consultations) well before then. If not, social organisations will find a ready audience for their calls for a constituent assembly with plenipotentiary powers given the public perception of self-serving congressmen. This could provide the first test of unity of the Nueva Mayoría, Bachelet's ruling alliance, made up of the quadripartite Concertación and the Partido Comunista de Chile (PCCh): student unions are behind the calls for constitutional reform and prominent student leaders were elected to congress for the PCCh.

The interior minister, Rodrigo Peñailillo, will have his work cut out keeping order in the Nueva Mayoría, let alone seeking consensus with the opposition. He is promising regular meetings with party leaders in the Nueva Mayoría and members of congress.

The other new minister facing a baptism of fire is the finance minister, Alberto Arenas, who promised to recover the economy's "dynamism" but acknowledged that he had "a difficult challenge" ahead. The central bank has revised its GDP growth prediction for 2014 down to 3.7% after 1.4% growth in January: GDP growth averaged 5.3% a year under Piñera. "The figures speak for themselves: the economy is slowing down and we will work from the first day on an agenda of productivity, innovation, growth and energy," Arenas said. The trouble is his very first challenge is to produce a tax reform to push through congress within the next 100 days, which includes an increase of the corporate tax rate from 20% to 25% - a measure which could conspire against investment and growth.

BRAZIL | POLITICS

Rio's street cleaners force mayor to back down

Rio de Janeiro's street cleaners timed their strike brilliantly. It started on 1 March, the second day of Carnival, and lasted until Saturday 8 March, by which time most of the city, even the touristic Zona Sul, stank with overflowing rubbish. The garis, as the orange-suited cleaners are known, won. After issuing numerous threats to fine their union or fire their members, Mayor Eduardo Paes agreed to a 40% pay increase. Inspired by their victory, employees of other municipal services are now planning further industrial action. The proximity of the World Cup, and Paes's desire for a successful tournament, is likely to increase their chances of success.

The principal reason for the strike was the garis' low pay. Before the strike, the base salary of a street cleaner, plus benefits, was R\$1,220 a month (US\$515), the value of approximately two minimum wages. The mayor's office had offered a 9% increase, which the cleaners' union accepted. However, it appeared the union leadership did not represent its members. On closer inspection it transpired that senior union members were closely affiliated to the Partido Trabalhista Brasileiro (PTB), a party which backs the mayor.

Paes claimed those who continued to strike after an agreement was reached risked losing their jobs. He also claimed the strikers were few in number, an argument seemingly contradicted by the sheer amount of rubbish piling up on the streets. The mayor's next move was to send the cleaners back to work under armed guard. Paes argued it was for their own protection; the mayor's critics claimed he was effectively mandating slave labour. Finally, the mayor upped his offer on 8 March and brought the strike to a conclusion. He withdrew his threat to fire strikers and said he felt like "a captain that has retaken control of his ship".

Police deaths in Rio

On 6 March two police officers from the police pacification unit (UPP) in the Complexo do Alemão favela in Rio de Janeiro were shot and killed. The deaths prompted the Rio de Janeiro state security secretary, José Mariano Beltrame, to raise the idea of the 'reoccupation' of Alemão. So far this year, 15 police officers have been killed in the state of Rio de Janeiro. Eighteen were killed in the whole of 2013.

Rough seas ahead

The garis are unlikely to be the last to strike. A major strike of teachers and health care professionals is due to take place in Rio on 1 April in demand of higher pay and better working conditions. Rio's teachers' union held a number of protests in the final quarter of 2013, but further action was called off after the prefecture promised an 8% pay increase (following a demand of a 19% hike) and gave assurances it would guarantee teaching standards.

As well as their unhappiness at their level of pay, Rio's teachers reject a new school model being promoted by the mayor's office which requires teachers to work longer hours and teach a wider range of subjects. On 15 March, the teachers' union is due to meet to discuss what further action it should take. One union leader, Marta Moraes, says a 20% pay increase is the very least they should demand.

Health workers are also planning industrial action. Many of the city's doctors have been angered by the news that the Cuban medics from the Mais Medicos programme are paid a R\$10,000 (US\$4,230) salary (even if most of that ends up in the pockets of the Cuban government). Some medical professionals in Rio earn only R\$8,000. Doctors also complain that they are obliged to work in several different healthcare centres, as no one hospital or clinic can afford to contract them full time. Union leaders argue that this creates an unsafe work environment. After the joint march on 1 April, a health-care demonstration is planned for 7 April.

Other workers, such as city guards, could also go on strike in the next few days. Last month, they stopped working in demand of better working conditions and an increase in their basic salary from R\$753,39 to R\$1,800, an increase of 139%. The greatest fear for the city and state government would be a repeat of the police and fire fighters' strike in 2012. Although military police are formally prohibited from striking, they decided to join their civil police colleagues in taking industrial action shortly before Carnival that year. Many were expelled from the force or imprisoned as a result.

BRAZIL | POLITICS

Planalto versus the Bloco

It all started with a tweet. Unable to resist the lure of the social media site during his Carnival break in the US, on 5 March the leader of the Partido Movimento Democrático Brasileiro (PMDB) in the lower chamber, Eduardo Cunha, wrote that the ruling Partido dos Trabalhadores (PT) did not respect his party and that it should therefore "rethink its alliance". Since then the representatives of the two parties, longstanding coalition allies, have ratcheted up the rhetoric. President Dilma Rousseff responded to Cunha's insurrection by attempting to isolate him; in turn, Cunha has now mobilised not just his PMDB colleagues, but other disgruntled deputies to launch a series of investigations into at least five ministries and the state-run oil company, Petrobras.

After the PT, the PMDB is the second-largest party in the lower chamber, with 75 deputies. As such, the party is a key part of the ruling coalition: it controls five ministries and the vice-presidency. But as the cabinet reshuffle has dragged on, it has become clear that the PMDB will not receive a sixth ministry, as it had hoped. As the elections approach in October, the alliance between the two parties at regional level has frayed, and in some states, such as Rio and Bahia, the two are now opponents. The only places where the PT and the PMDB are allied are the Federal District (Brasília), Pará, Amazonas and Sergipe.

Cunha's warning shot prompted an irritated Rousseff to summon PMDB leaders, including Michel Temer, the vice-president, and Henrique Eduardo Alves, leader of the senate, to the presidential palace for talks. According to

YPF finds new oil reserves

On 11 March Argentina's state oil company YPF announced the discovery of an oil field in the province of Río Negro expected to yield 15m barrels of crude. The exploration block had been inactive since 1999.

local press reports she instructed Temer to deal with Cunha, and reiterated her demand that the PMDB accept the cabinet posts they have been offered or risk losing them. But rank and file PMDB deputies expressed outrage that Cunha had not been invited to participate in the talks, and took umbrage at the suggestion by Temer that the alliance between the two parties was "absolutely guaranteed".

Then, on 11 March, 267 members of congress voted to create an external committee to look into allegations Petrobras employees took bribes from a Dutch oil-platform leasing company, despite PT protests that such an investigation would damage the company's international standing. One hundred and fifty-eight votes came from PT-allied parties, thus for the first time revealing the size of the so-called 'bloco': rebels within coalition parties. Sixty-five of those votes came from the PMDB itself.

Later that afternoon, the PMDB deputies held a meeting in which, according to one participant, 80% of those present expressed a desire to break with the PT. Cunha was more moderate. Though he acknowledged there was a political "crisis", he said the PMDB could not break off the alliance without the blessing of the party's national convention. Such a convention cannot be called without the approval of at least 11 regional parties.

In a move seen as another attack on the authority of the president, on 12 March, congress voted to summon five ministers and the head of Petrobras, Maria das Graças Silva Foster, to testify to the chamber. The commission for financial supervision and control, which is chaired by the PMDB, has summoned Aguinaldo Ribeiro (cities); Manoel Dias (labour and employment); Gilberto Carvalho (general secretary of the presidency); Jorge Hage (comptroller general) and Arthur Chioro (health).

Three of the ministers are being invited to discuss alleged financial irregularities; the other two to talk about the work of their ministries. In a bad-tempered session, PT deputies accused their colleagues of letting Cunha run the show. Technically, as invitees, the ministers are not obliged to attend. Whether or not they do so will be a good indication of how combative Rousseff wishes to be with congress. Though the presidency's internal polling apparently shows Rousseff receives a boost from talking tough with congress, it is a risky strategy just months out from the elections.

TRACKING TRENDS

ARGENTINA-BRAZIL | Trade slumps. Trade between Argentina and Brazil was just US\$2.25bn in February, the lowest monthly figure in four years. Total exports reached US\$1.094bn, a fall of 23.4% year-on-year, while imports reached US\$1.165bn after a 9.7% fall on February 2013. Lower sales of vehicles, oil and auto-parts were cited as the main reason for the decline. After the first two months of 2014, Brazil is running a US\$297m deficit with Argentina.

Argentina's exports represented 6% of the total imported goods to Brazil, putting it behind China and the US as Brazil's main trading partners. After the steep devaluation of the peso in January, Argentina expects exports to Brazil will increase in the upcoming months. Meanwhile, just 7.3% of Brazil's exports went to Argentina. A Brazilian delegation is due to visit Buenos Aires later this week to pressure the government to lift some of the restrictions on imports that are frustrating Brazilian businesses.

The Brazilian team will consist of the development, industry and commerce minister, Mauro Borges, and the presidential foreign policy adviser, Marco Aurélio Garcia. They are due to meet Argentina's economy minister, Axel Kicillof. Among other issues, they are likely to raise the issue of customs barriers imposed by Buenos Aires on Brazilian products which often cause a delay in imports. The Brazilian officials are also due to negotiate with the government a line of credit with a state bank that would be applied to all areas of trade between the two countries.

Self-defence groups become a hindrance in Michoacán

The last straw

Commenting on the La Ruana incident on 10 March, Interior Minister Miguel Angel Osorio Chong said that it was clear that there were “signs of confrontation between the self-defence groups”, and that the federal authorities were working to try to avoid this. As evidence of this, Osorio Chong said that he had ordered the deployment of some 200 federal security officers to La Ruana in a bid to ease tension. “It would be the last straw if the self-defence groups now start fighting each other after we all agreed to fight Los Caballeros Templarios together,” Osorio Chong said.

Following President Enrique Peña Nieto’s unprecedented decision to order a federal intervention in Michoacán to address the state’s security crisis, the federal security forces appear finally to be gaining the upper hand in the fight against criminality in the state. This should appease the so-called ‘self-defence groups’ of local armed vigilantes that sprang up in Michoacán last year in response to the local authorities’ inability to provide effective public security for their communities. However, after being legitimised by the federal government and given the chance to work along with the security forces to tackle insecurity, the self-defence groups are now starting to become part of the problem, not the solution.

According to their leaders, the self-defence groups were formed across Michoacán in order to fight the pseudo-religious Los Caballeros Templarios (LCT) criminal organisation, which effectively controlled large areas of the state. Believing that the local authorities had either been infiltrated by the LCT, or were simply unable to protect the local population from the group, the self-defence groups set out to ‘recover’ Michoacán’s 113 municipalities and expel the LCT from the state. Their determination to achieve this eventually led the Peña Nieto administration to intervene in Michoacán to prevent a ‘civil war’; and to try to draft the self-defence groups’ help in fighting the LCT.

Last month the federal authorities reached an agreement with the three men identified as the most prominent self-defence group leaders: José Manuel Mireles, Estanislao Beltrán and Hipólito Mora. The government has given the vigilantes the opportunity to work with the federal security forces, in a secondary role, to fight the LCT while they go through a ‘regularisation’ process that would eventually allow them to be incorporated into reformed municipal security forces. This was accepted on the condition that the security efforts focus on arresting the LCT’s top seven leaders, with a warning that if the self-defence group leaders felt that not enough progress was being made, the vigilantes would not hesitate to follow their own lead again.

Delivering results

Since then the federal security forces have been focused on delivering the kind of results that the self-defence groups are expecting to see, starting with the successful re-taking of Apatzingán [WR-14-06]. Soon after that, on 18 February, the federal commissioner for Michoacán, Alfredo Castillo Cervantes, said that the security forces were now closer to capturing the LCT’s three main leaders: Servando ‘La Tuta’ Gómez Martínez, Enrique ‘El Tío’ Plancarte; and Nazario ‘El Chayo’ Moreno González. Castillo said that the LCT leaders were becoming increasingly isolated as the security forces’ drive had limited their room to manoeuvre.

A couple of weeks later, on 9 March, the authorities announced that Moreno had been killed in a shootout with federal security forces in Tumbiscatío, Michoacán, after he resisted arrest. Moreno’s death is a highly significant coup for the Peña Nieto government, not only because along with Gómez he was one of the LCT founders but also because the previous administration of Felipe Calderón (2006-2012) had erroneously claimed that Moreno had been killed back in 2010 (*see sidebar*). The Michoacán self-defence groups have always maintained that Moreno was alive and firmly in charge of LCT operations.

Moreno

A prominent member of the La Familia Michoacana drug gang, Nazario 'El Chayo' Moreno González was placed on Mexico's most wanted list in 2009 and was hunted intensively by the federal security forces as part of former president Felipe Calderón's 'war' on organised crime. In December 2010, the Calderón administration announced that federal security forces had killed Moreno. However, Moreno's body was never found. Moreno resurfaced in 2011 when, along with Servando 'La Tuta' Gómez Martínez, he was identified by locals as a founding member of Los Caballeros Templarios (LCT) after the group's emergence in early 2011.

Self-defence infighting

Moreno's death is a decisive blow to the LCT leadership and a victory for efforts to restore the rule of law in Michoacán. It should also serve the dual purpose of convincing the local vigilantes that the Peña Nieto government can achieve this; and the more general public that the controversial decision to enlist the help of the self-defence groups in Michoacán is justified.

However, ensuing events have once again raised all kinds of questions about the negative influence that the legitimisation of the self-defence groups is having in Michoacán. On 10 March Mora publicly claimed that the leader of the Buenavista Tomatlán self-defence group, Luis Antonio 'El Americano' Torres González, was threatening to invade the town of La Ruana, which Mora and his colleagues have controlled since they threw out the municipal government a year ago. Torres accused Mora of being responsible for the murder of two of his subordinates including his close collaborator, Rafael 'El Pollo' Sánchez Moreno, a former LCT member who had joined Torres' group. Torres demanded that Mora surrender all those responsible for Sánchez's murder to him. Mora refused and after the two leaders accused each other's groups of being infiltrated by the LCT, the two groups became engaged in a tense standoff on the outskirts of the town.

News of the La Ruana standoff prompted the federal authorities to react, with Commissioner Castillo and Interior Minister Miguel Angel Osorio Chong personally travelling to the area to meet the self-defence group leaders to try to work out their "differences". After hearing the two sides on 11 March Castillo announced that Mora had been arrested by the Michoacán state authorities for his presumed involvement in Sánchez's murder and was taken to the state capital, Morelia, to face prosecution after eyewitnesses said that they saw Mora beat up and abduct Sánchez, whose charred body appeared outside La Ruana on 8 March.

Castillo said that federal and state governments would not allow any murder case to go unpunished, and stressed that the authorities wanted to send a message to everyone in Michoacán, including self-defence groups that "everyone must abide by the law". The La Ruana incident exposed the first serious differences among Michoacán self-defence groups, which until now have remained united behind their cause, and it is a real cause for concern for the Peña Nieto government and its efforts to restore law and order in the state.

MEXICO | POLITICS & DIPLOMACY

Peña Nieto rebuilds relations with neighbours

Mexico's President Enrique Peña Nieto continued to show his commitment to improving Mexico's relations with its Latin American neighbours when he conducted his first official visit to Ecuador this week.

By stopping in Quito en route to Santiago for the presidential inauguration of Chile's Michelle Bachelet, Peña Nieto became the first Mexican president to visit Ecuador in over a decade. After meeting Ecuador's President Rafael Correa at the Carondelet palace, Peña Nieto pointedly said that the purpose of his visit was to reaffirm his government's will to diversify Mexico's foreign policy agenda by deepening diplomatic and commercial ties with Ecuador in particular and the Andean region in general.

The two presidents then revealed that they had signed five agreements aimed at boosting trade and cooperation in areas like education, technology, tourism, migration and security. According to Peña Nieto, the idea is for the two countries to share "successful experiences" in these areas so as to promote "the joint development of our peoples". In particular, Peña Nieto pointed out that while bilateral trade had quintupled in the last decade to reach US\$1.0bn in 2013, the fact that the figures showed that the balance was US\$900m in Mexico's favour meant that there was still a lot of room for balanced growth in the commercial relationship.

Economic challenge

Salvador Sánchez Cerén will need to find a way to revitalise the economy. Writing in the *Miami Herald* on 27 February, a former US Assistant Secretary of State for Western Hemisphere Affairs, Roger Noriega argued that the FMLN would preside over an economic debacle in El Salvador akin to Venezuela. In his piece 'Is El Salvador the next Venezuela?', Noriega argued that President Mauricio Funes had adopted statist policies that had run up government spending and pushed debt to over 60% of GDP: "An economy that grew at an average annual rate of nearly 6 percent 15 years ago has been stuck around 1.5 percent during Funes' four-year [actually five-year] term." While this will, indeed, be a serious challenge for Sánchez Cerén if he is confirmed as president, Funes has been in power for five years, not 15 as Noriega seems to imply. For 10 years before him, under Arena, the economy also grew very slowly. This dates back to dollarisation and a surge in mara-gang-related violence.

CENTRAL AMERICA & CARIBBEAN

EL SALVADOR | POLITICS

Arena challenges wafer-thin FMLN victory

Salvador Sánchez Cerén should become the first member of the left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) to be sworn in as president on 1 June after winning a desperately close run-off against Norman Quijano, of the right-wing Alianza Republicana Nacionalista (Arena), on 9 March. After days of uncertainty, in the early hours of 13 March the supreme electoral tribunal (TSE) completed the count, showing Sánchez Cerén won by just 6,364 votes out of nearly 3m. The TSE cannot proclaim him the winner, however, until it considers a petition by Arena calling for the elections to be annulled. Sánchez Cerén's victory is likely to be confirmed but he will need to work hard to bolster his legitimacy.

The TSE's final count showed that Sánchez Cerén won by 50.12%-49.88%, or 1,495,815 votes to 1,489,451 for Quijano, with both men winning more votes than any president elected before in El Salvador's history. Given that Quijano was 10 percentage points adrift of Sánchez Cerén in the first round on 2 February (more than 400,000 votes), and all opinion polls suggested the gap had widened during the run-off campaign, it was little wonder that he found defeat a bitter pill to swallow. The reaction of Quijano and Arena, however, threatened to undermine El Salvador's democratic foundations.

With the result on a knife edge late on 9 March, the TSE president, Eugenio Chicas, urged both parties to refrain from declaring victory. His call fell on deaf ears. Quijano, however, not only announced that he was "100% convinced that we have won this process" but also alleged fraud, impugned the impartiality of the TSE and, most disturbingly, called on the armed forces "to make democracy", subverting the country's fledgling democratic institutions, which have been painstakingly built since the civil war (1980-1992).

Arena first claimed that the TSE had deliberately delayed the release of its preliminary count in order to allow it to alter the *actas*, or vote tally sheets. Quijano also alleged that the TSE had "maliciously" refrained from counting ballot papers in parts of departments where, he maintained, Arena performed best, such as San Salvador. (The TSE explained that the delay was due entirely to the contest being so tight and the need to complete the count, and revise all 10,445 tally sheets, before proclaiming a victor). "We know that we have an unreliable TSE, sold to the *Chavista* dictatorship," Quijano said, adding that the FMLN had "bought a magistrate" and that President Mauricio Funes was "the first violator of the constitution and the country's laws." He went on: "They aren't going to steal this victory; we're going to fight, if necessary, with our lives," before adding ominously "our armed forces are watching this fraud".

On 10 March Arena called for a full "vote-by-vote" recount in the presence of the attorney general, Luis Martínez, and international observers with the entire process televised. It also called on Martínez and international observers to denounce electoral fraud. Chicas said a recount was only allowed under the country's electoral law if the difference between the two candidates was smaller than the number of challenged votes but that as this did not look like being the case the result was almost certainly "irreversible". In the end the number of challenged votes was 3,198, less than half the difference between the two candidates, so even if all of these had been meant for Quijano he would still have lost.

The response of Quijano, a lawyer, was that "sometimes what is legal is not above what is rational and just". He argued that if there was nothing to hide,

Gang truce

One big problem for the future president will be reducing the violence in El Salvador. On 4 March Rigoberto Pleités, the director of the national police (PNC), went as far as to announce that “technically [the gang truce] no longer exists, given the increase in homicides in the past months”. A total of 484 homicides were reported in the first two months of this year, an average of eight per day, and a 30% increase on the same period last year. Pleités said the mara street gangs were responsible for between 60% and 70% of the murders. Salvador Sánchez Cerén largely avoided mention of the truce during his campaign.

the ballot boxes should be re-opened. On 11 March around 6,000 Arena supporters gathered outside the Crowne Plaza hotel in San Salvador, where the vote scrutiny was taking place, chanting “vote-by-vote”. In the face of the TSE’s refusal to carry out a recount, Arena called for the elections to be annulled.

In the petition Arena presented to the TSE on 11 March demanding the annulment of the elections, it changed tack totally, replacing the charge of irregular tally sheets with a claim of double voting. Arena argued that 19,000 people had been prevented from voting because of a change of address, and that it had six witnesses who could testify that “some” FMLN delegates at polling stations had voted twice, at the booths where they were working and in the polling stations by their homes. In a press conference the following day, Arena produced the figure of “20,000” double votes.

Arena’s press conference on 12 March came hours after the defence minister, retired general David Munguía Payés, and the military high command issued a declaration in a separate press conference, underlining the military’s apolitical nature and rejecting any suggestion it might intervene in the process. Quijano subsequently backtracked, saying his comments on 9 March had been “misunderstood”, and that he had never called for the armed forces “to intervene or carry out a coup or anything like that”.

The observer missions of the United Nations (UN) and the Organization of American States (OAS) came out strongly behind the TSE and the validity and transparency of the vote counting process while Attorney General Martínez said he did not think there had been electoral fraud, but that the TSE was losing credibility because of the length of time it had taken to complete the final count (a delay caused in part by Arena’s decision to withdraw its representatives from the counting process, accusing the TSE of partiality; they rejoined the scrutiny after mediation undertaken by the UN and OAS observer missions).

If Arena gets nowhere in its attempt to annul the election, the party president, Jorge Velado, said it would “continue fighting within the law” and turn to the supreme court. Its hopes, however, look increasingly forlorn. In total Arena has presented four discrete versions of the alleged fraud, and failed to provide evidence for any of these; evidence it claims is contained within the ballot boxes which must therefore be re-opened for a “vote-by-vote” recount. It is also impossible to reconcile its contrary claims, for instance, that (on its own count) it won by 50.11%-49.89% (a difference of 6,000-odd votes) and that 20,000 people had voted twice.

All of this time Sánchez Cerén has refrained from triumphalist statements; eschewed media appearances; and, as a result, helped to defuse tension. Instead, he has struck a conciliatory note, saying that the result “sent a message loud and clear that we must reach agreement with all sectors of the Salvadorean people.” This is significant because Quijano’s late surge in the polls was attributed in part to his moderate makeover for the run-off [WR-14-08] but largely to events unfolding in Venezuela: Quijano used footage of the protests in Venezuela for his campaign, playing on middle class fears that Sánchez Cerén was not the moderate pragmatist he claimed to be, but a dangerous radical who would take El Salvador down the Venezuelan route.

Sánchez Cerén’s response should boost his legitimacy in the public’s eyes, but Arena will constantly challenge this, especially if he attempts to pursue any radical reform initiatives. He is unlikely to do so, not least because the FMLN would be punished in legislative elections in less than a year’s time, which would leave him hamstrung for the rest of his mandate (until 2019) with no chance of getting any reforms through the legislative assembly. Arena, meanwhile, will eventually take solace from Quijano’s unexpectedly impressive performance in the run-off and start drawing up battle lines ahead of the legislative elections.

Another electoral victory for Ortega's FSLN

President Daniel Ortega's Frente Sandinista de Liberación Nacional (FSLN) is claiming yet another electoral victory following the 2 March regional elections which took place in the North Atlantic Autonomous Region (Raan) and South Atlantic Autonomous Region (Raas) on the remote, largely indigenous, Caribbean coast.

On 4 March, the head of the national electoral court (CSE), Roberto Rivas, announced the final results for the election to select 45 councillors in each region which, combined, account for 48% of national territory. The results showed the FSLN maintained its stronghold on the Raan, taking 52% of the vote ahead of the local indigenous party, Yatama, a former FSLN ally, which took 21%. The main national opposition, Partido Liberal Independiente (PLI) came third with 19% of the vote. In the Raas – traditionally a stronghold of the Partido Liberal Constitucionalista (PLC) of former president Arnaldo Alemán (1997-2002), a party left considerably weakened following the November 2011 general elections - the FSLN again emerged victorious, taking 48% of the vote. The PLC came second, with 19%, followed by the PLI (17%) and Yatama (7%). Rivas claimed turnout of "47% or 48%" of the 301,662 Nicaraguans registered to vote. This was up from 40.54% in the 2010 election and 45.17% in 2006.

Crucially these results will give the FSLN a 23-seat majority for the first time in both regions; in the Raan, the FSLN will have 28 local councillor seats (up from 22) while Yatama will have 11, four less than in 2010. In the Raas, the FSLN will have 30 seats (up from 19) while the PLC lost 14 seats, retaining just six.

As with both the November 2011 elections and November 2008 elections – the first electoral contests to take place since Ortega and the FSLN took office for a second time in 2007 - the elections have been overshadowed by fraud allegations. On 3 March some 2,000 Yatama supporters protested in Bilwi, the Raan's capital, citing fraud and complaining about *ratón loco* (crazy mouse) – a practice whereby citizens are unable to vote, due to a lack of voting papers, leaving them forced to run around trying to find the correct voting booth until eventually, they give up and leave.

As with both previous elections, however, these complaints are unlikely to prosper and Rivas has already issued an angry response, threatening to strip Yatama of its legal credentials if it continues to complain. This has since led Yatama's leader, national deputy Brooklyn River, to announce an end to Yatama's alliance with the FSLN, which was forged in 2006 while Yatama's other national deputy in the 92-member national assembly, Elizabeth Enríquez, announced she was following suit.

Boosting development

Since the elections, Humberto Campbell, the secretary for the development of the Caribbean coast, has highlighted various projects under way by the FSLN government which aim to boost development in the Raan and the Raas where, according to the United Nations Development Project (UNDP), 12 of Nicaragua's 25 poorest municipalities are located. While both regions account for 48% of national territory, the population, according to the most recent (2005) national census, is 620,640, some 12% of the total population. Campbell cited the construction of a 74km highway which will unite Bluefields, the capital of the Raas, with Managua once it is completed in 2016, which he claims will reduce living costs for residents of Bluefields by 30%. Campbell also cited the construction of a 25km highway linking Bilwi with Río Blanco, as well as plans to improve Bilwi's electricity connectivity and construct a public hospital on Corn Island – a popular tourist destination.

Progress in land titling efforts

According to a government report cited in the FSLN-aligned media, *La Voz del Sandinismo*, on 21 February, over the 2007-2013 period, 21 indigenous territories were demarcated and titled through the government programme, Madre Tierra (Mother Earth), leaving one territory to be processed. Of the 21 titles 15 have been registered and handed over to local inhabitants.

Altogether the titles will affect 36,389.32 km² of land, 301 indigenous and Afro-Nicaraguan communities, or some 122,041 people.

Quotes of the Week

“The armed forces are ready to make democracy.”

El Salvador's Norman Quijano, presidential candidate for the right-wing opposition Arena disputes the adverse electoral result.

“I want to congratulate Senator (Alvaro) Uribe and his group who finished in a dignified second place.”

Colombia's President Juan Manuel Santos makes a conciliatory gesture - with a hint of glee.

“We applied a very simple principle: recognise facts [...] gay marriage, for instance, is older than the hills. We had Julius Caesar, Alexander the Great. People say it is modern but it is older than all of us. It is an objective reality.”

Uruguay's President José Mujica on his 'liberal' government.

Striking teachers forced back to school in Argentina

Last week teachers across Argentina began a strike to demand higher pay. National unions have accepted the government's order of mandatory conciliation, by which strikers are obligated to return to work while negotiations continue. In Buenos Aires province, however, the teachers' union is refusing to accept the order. Four million Argentine students have been affected by the industrial action. Salary negotiations with the federal government will resume on 13 March.

So far the government has proposed a 22% pay increase, payable in three instalments. Unions rejected the offer, principally because the last instalment would not have been paid until next year. In Buenos Aires, the teachers have rejected an initial offer of a 30.9% increase. The unions are setting their sights on a pay increase of between 42% and 60%. Jorge Capitanich, the cabinet chief, has called these demands “fiscally unviable”.

Speaking in the senate on 12 March, Capitanich acknowledged the right of the teachers to strike, but said that it should not be “at the cost of the pupils”. He pointed out that the government of President Cristina Fernández had invested heavily in the education sector in recent years, in terms of teachers' salaries, improved school buildings, and access to educational resources and technology.

While this is the case, the investment has had little impact on Argentina's educational performance. Argentina was ranked close to the bottom, 59th out of 65 countries measured, in the Programme for International Student Assessment (Pisa) carried out by the Organisation for Economic Co-operation and Development (OECD) for 2012, the last year for which data was available.

Annual wage negotiations, which run between March and April, are set to be particularly fraught this year, with the government desperate to persuade unions to accept salary increases that are below inflation. Based on January's figures, which the government argues is not a representative month given the peso's devaluation, annual inflation could be around 30%.

Given the sharp rise in inflation, the government is now attempting more orthodox economic policies. The central bank has played its part by tightening monetary policy, but so far the Fernández administration has shown little appetite for the more politically sensitive task of cutting public spending.

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