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Sánchez Cerén secures victory in El Salvador, shapes team

El Salvador's supreme electoral tribunal (TSE) formally proclaimed Salvador Sánchez Cerén as president-elect on 16 March, exactly one week after desperately closely contested elections. The TSE decided that the evidence of alleged fraud presented by the right-wing opposition Alianza Republicana Nacionalista (Arena) was insufficient to annul the elections. Sánchez Cerén has appointed a transition team to prepare the way for his investiture on 1 June. The appointment of six, predominantly hard-line, former guerrillas jarred somewhat with his conciliatory rhetoric.

Arena presented six different petitions to the TSE in the end, but the magistrates decided that the evidence provided, such as three witnesses alleging systematic double voting by delegates of the left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) at polling stations, was inconclusive. Arena inveighed against the alleged partiality of the TSE, and promised to fight on. Norman Quijano, Arena's presidential candidate, filed a suit requesting that the constitutional chamber of the supreme court order the TSE to open the ballot boxes for a full vote-by-vote recount, but although this chamber has come up with some maverick rulings in the past, it is difficult to see how this suit can prosper when the TSE acted in strict accordance with electoral law.

The president of Arena's national executive council (Coena), Jorge Velado, said the party would operate within the law to contest the elections (after Quijano's initial call for the armed forces to "make democracy" [WR-14-10]) but he added that if Arena's legal challenges came to naught, Sánchez Cerén would be "illegitimate" and elected through "a corrupt process". This refusal to accept an adverse result at the end of the whole legal process subverts the very democratic institutionalism which Arena purports to defend and accuses the FMLN of undermining. Arena had representatives on every departmental, municipal and local electoral council and in polling stations and, as such, is casting doubt on its own members' work. It also flies in the face of the conclusions of international observers who lauded the electoral process as the most efficient and accountable ever seen in El Salvador.

None of this augurs well for the prospect of dialogue offered by Sánchez Cerén during a victory speech in San Salvador on 15 March in which he maintained that "hope and happiness overcame fear" but stressed "to all the right-wing forces we say let's work together". Nor does it suggest Arena will be prepared to put the national interest above party interest and provide a constructive opposition in the legislative assembly to help deliver some of the urgently needed reforms in the country, especially tax reform. Sánchez Cerén's principal promise during his speech was "to eradicate poverty and inequality", but with the economy stuttering he will need a tax reform to begin to reduce the gaping divide between the haves and have nots; Arena,

Arena restructuring?

The president of Arena's national executive council (Coena), Jorge Velado, said the party would hold a convention within the next few weeks to discuss campaign strategy ahead of legislative elections this time next year. He said Arena could carry out primary elections to select candidates for deputies and mayors in 2015. He appeared to rule out a dramatic increase in "internal democratisation" demanded by many members, however, arguing that there was no need to change Coena. Ernesto Muyschondt, Arena's vice-president of ideology, has indicated that he intends to leave though to make way for younger generations.

however, fears that more tax revenue would provide Sánchez Cerén with the wherewithal to increase the FMLN's popularity by rolling out more and more social programmes. The FMLN would prefer to tax business rather than increase value-added tax, but Arena is closely allied to big business.

Any tax reform must also be carefully weighed against the need to revive the economy, which has been growing more slowly than the population for years. This is a key challenge for Sánchez Cerén. Just over a year ago the then head of the central bank, Carlos Acevedo, argued that if the low growth rate persisted, the state of the public finances could become a time bomb, leaving the next presidential candidate with potentially no choice but to de-dollarise and resurrect the colón, due to a lack of control over monetary policy to provide the necessary stimulus measures. Restoring the colón is a long-cherished goal of the FMLN but it is highly problematic and Sánchez Cerén has been careful to rule it out – for now. According to FMLN sources, he intends to create a public investment secretariat to reassure prospective investors that El Salvador remains an attractive destination for investment, for infrastructure improvements and to spur production with the hope of kick-starting the economy, especially as the global economic scenario improves.

Sánchez Cerén also insisted during his speech that he would not push for a reform of the constitution (ruling out the preferred instrument of radical left-wing governments in the region, the constituent assembly) without which, for instance, re-election is barred. This after the president of the legislative assembly and a founding member of the FMLN, Sigfrido Reyes, openly mooted a referendum to reform the constitution, in the process evoking memories of the Honduran constitutional crisis and coup of 2009.

Transition team and cabinet

If all of this was carefully designed to send out the message that responsibility and, above all, pragmatism will prevail under Sánchez Cerén, his choice of a guerrilla-loaded transition team will have raised eyebrows. Reyes is on the team, along with FMLN secretary general Medardo González (who one year ago said that de-dollarising was "a matter of time"); Manuel Melgar (a former justice and public security minister, and an object of suspicion by the US due to his alleged part in the killing of four off-duty marines in 1985 by gunmen dressed as Salvadorean soldiers in a San Salvador nightclub area, when he was a guerrilla); and deputies Norma Guevara, head of the FMLN legislative bloc, Lorena Peña and José Luis Merino. There is no guarantee they will all get senior cabinet positions, but as the first message sent out by Sánchez Cerén it conflicted with his stated aim of reducing polarisation and assuaging the concerns of foreign investors.

Without giving names, Sánchez Cerén said during his victory speech that members of the present government would stay on in his cabinet and that there would be more places for women: the current First Lady, Vanda Pignato, is widely expected to head a new women's ministry. Sánchez Cerén also revealed last October that Gerson Martínez, the current public works minister, and one of the eight founding members of the FMLN, would play a key role in his cabinet. Martínez is being widely tipped to pick up either the finance ministry or a new 'super' ministry, which would revive the planning ministry and add additional responsibilities, such as overseeing and coordinating the work of all of the cabinet ministries to ensure efficiency and no work overlap.

Vice-President-elect Oscar Ortiz, from the reformist wing of the FMLN, could head another new ministry - cities and towns – using his experience as a popular former mayor of Santa Tecla to oversee government-mayoral relations. Marcos Rodríguez, a former secretary of transparency in the present government, head of the citizens' movement "El Salvador Adelante" supporting the FMLN and the main go-between with the moderate opposition, is also tipped for big things.

Pointing to the Exit

The government led by President Nicolás Maduro says its tough security response to the continuing daily street protests in parts of the capital Caracas and western cities is necessary to restore civic order and 'pacify' the six-week long rebellion being staged against it by a bunch of far right-wing fanatics, financed (and potentially armed and trained) by sympathisers in neighbouring Colombia and the US. This week the government moved against further elected representatives of the political party, Voluntad Popular (VP), accusing them of concerted destabilisation efforts. The aim is to isolate and neutralise this hard-line dissident opposition wing, and put pressure on the moderate main opposition leader, Henrique Capriles Radonski, to take a step towards the negotiating table being sponsored by the regional inter-governmental bloc, the Union of South American Nations (Unasur).

Agents from the Bolivarian national intelligence agency (Sebin) on 19 March arrested Daniel Ceballos, the VP mayor of the violence-afflicted western border city of San Cristóbal (pop. 250,000), capital of Táchira state, on charges of 'civil rebellion'. Interior Minister Miguel Rodríguez Torres, also the head of the Sebin, told State TV that Ceballos was detained by agents acting on an order from a court in Táchira.

The arrest followed earlier judicial orders instructing the mayors of opposition-run municipalities to dismantle the makeshift street barricades set up by demonstrators. These have been the flashpoints for violent clashes between anti- and pro- government demonstrators and the security forces. Around 30 people have now died as a direct or indirect result of the violence, on latest official estimates. "This is an act of justice for a mayor who not only failed to meet his obligations under the law, but also facilitated and supported all the irrational violence in this city," Rodríguez Torres stated, adding, "in the coming hours he will be presented before the corresponding tribunals to begin the judgement process." The minister noted that a member of the Bolivarian national guard (GNB) had been shot dead in San Cristóbal the same day amid "vandalistic acts" by protesters targeting a military university.

Later that same day, the Venezuelan supreme court ordered that another opposition mayor, Enzo Scarano of the town of San Diego, in the central state of Carabobo, be jailed for 10 months and 15 days for failing to comply with the order to remove barricades. The court said that Scarano would be stopped from exercising his functions as mayor. Ramón Muchacho, the opposition mayor of the eastern Caracas municipality of Chacao, the site of daily clashes between protestors and the security forces, tweeted in response; "All our solidarity with Enzo Scarano before this indescribable aggression".

Meanwhile, the majority Partido Socialista Unido de Venezuela (PSUV) bench in the unicameral national assembly said it would consider stripping congressional immunity from Deputy María Corina Machado (VP) who, along with the imprisoned VP leader Leopoldo López, is accused by the government of being the main intellectual author of the unrest, as co-founder of the 'La Salida' ('The Exit') movement seeking to force President Maduro's resignation via peaceful civic protest. PSUV Deputy Tania Díaz presented video and audio evidence in the national assembly that she claimed showed that the demonstrations were part of a planned coup organised by López and Machado. The national assembly president, Diosdado Cabello, said he would submit the evidence to the public ministry and ask that Machado be charged with "instigating violence, treason against the fatherland, terrorism and homicide". Rodríguez Torres later also claimed to have recordings of an opposition meeting in which López and Machado

Air Canada

Air Canada has suspended service to Venezuela, citing security concerns.

"Due to ongoing civil unrest in Venezuela, Air Canada can no longer ensure the safety of its operation and has suspended flights to Caracas until further notice," the airline said in a statement. The Maduro government replied that it had 'ended relations' with the airline, which may mean that if Air Canada is owed foreign currency by the Caracas government, it won't see it any time soon.

Petrocaribe

On 17 March the opposition daily *El Universal* reported that the 17 Petrocaribe beneficiary countries had received at least 103,000 barrels per day of oil and oil by-products from Venezuela in 2013, 84% of the goal, citing data from the state oil company *Petróleos de Venezuela (Pdvs)*. That was worth an estimated US\$3.7bn, although 21% of the bill was settled by payment in kind (mainly food). Under Petrocaribe's preferential terms, payment is 50%-60% upfront, depending on whether oil prices are above or below US\$100/b, with the rest spread over 25 years at 1%-2%.

push for civic unrest, to which Capriles objects as 'crazy', saying he would not go along with it.

Meanwhile, supporters of López marked a month since his arrest on 18 February by marching to the military prison where he is being held pending trial on similar charges (for which there is still no date). Freddy Guevara (a founding member of VP) read out a statement by López calling on protestors to "maintain and increase the pressure until we break this dictatorship", with another mass march scheduled for 23 March.

Capriles is holding his ground, at least in public (there are some rumours of an outreach behind the scenes). In tweeting his response to the "fascist" arrest of Ceballos he asked whether the government wanted "war or peace". He accused Maduro of "throwing petrol on the flames", adding that "he, and only he, will be responsible for the situation that develops in the country, let the world know that". In another, he accused the government of "promoting a scenario that smells very bad! We have said it [before], civilians don't carry out coup d'états. Watch out for the self-coup".

Capriles has shown no inclination to join in Maduro's 'national peace conference', which has received the support of Unasur, from which a delegation of foreign ministers is due in Venezuela by April. Capriles has expressed scepticism about Unasur mediation, accusing it of being "on the side of governments". Yet it is, after all, an inter-governmental bloc.

The obvious risk now is of lengthy stagnation in Venezuela, with the two sides talking past each other. The impact of this on the already-struggling economy would be dire – indeed the Maduro government says this is all part of the 'slow coup' and 'economic war' being waged by López et al.

While the US Secretary of State John Kerry continues with strong rhetoric, calling on the Maduro government to end its "terror campaign against its own citizens", the commander of the United States Southern Command (SouthCom), General John Kelly, was more nuanced in testimony before the Senate Armed Services Committee, noting the importance of some kind of dialogue. "It's a situation that obviously is falling apart in front of us," he said. "Unless there is some kind of miracle in which the opposition or Maduro's government pull back, this will turn into a catastrophe in terms of the economy and democracy."

Intriguingly, Kelly also expressed concern about the end of Venezuela's regional petro-diplomacy under Petrocaribe, saying that the US should be aware of a potential rise in the flow of migrants from the Caribbean in the event of a potential economic crisis in the region should the Venezuelan subvention come to a sudden end (see sidebar).

Merentes grins and bears it

Central bank president Nelson Merentes acknowledged that Venezuela was in "an economic crisis" and admitted that the protests would have some impact on first quarter growth but he insisted that measures like the new Sicad 2 exchange rate mechanism would help resolve the dire supply shortages in the country. According to the new Centro Nacional de Comercio Exterior (CENCOEX), the central bank has auctioned just US\$636m in foreign currency to date this year (to March), which goes some way towards explaining the scarcity of goods. There is still no sign of the much anticipated Sicad 2, prompting some rumours that the Maduro government is trying to accelerate a cash loan from China or Russia to funnel towards the Sicad. In anticipation of the start of the new system, which was due last week after several delays, the black market rate has come down a fair bit, now trading at BF66.7/US\$, from previous highs of BF85/US\$. Maduro said he expected real GDP growth of 4.0% this year which by anyone's standards looks wildly optimistic. The Venezuelan oil basket has averaged US\$96.5/b to date this year, from US\$99.5 in 2013 and US\$103.4 in 2012.

Correa resets political agenda after electoral setback

President Rafael Correa has made 10 ministerial changes as he moves to regain the political momentum in Ecuador. Before the final results of the municipal elections of 23 February have even been confirmed, Correa has shifted attention away from some serious setbacks, notably in Quito, by first raising the issue of presidential re-election and now reshaping his cabinet. There is a genuine risk, however, that Correa could shortly face a still more humbling defeat: the protest group YASunidos looks set fair to meet the April deadline to collect the requisite number of signatures to trigger a referendum on the government's proposed exploitation of oil in the Yasuní national park.

President Correa announced seven cabinet changes by executive decree just before heading to Chile for the investiture of Michelle Bachelet on 11 March, and three more upon his return two days later. Correa laid the blame for the setback in municipal elections (the full scale of which is still not clear as the national electoral council [CNE] is labouring to release final results) squarely at the door of the ruling Alianza País (AP) rather than his government. But the cabinet reshuffle, following swiftly after Correa's call for the national assembly to debate a constitutional reform to permit indefinite presidential re-election [WR-14-09], served the purpose of resetting the political agenda before the municipal outcome could be digested.

While Correa kept the most senior members of his team, such as foreign minister Ricardo Patiño, *in situ*, thus downplaying any sense of crisis, he sought to inject a mixture of youth and experience into the cabinet. Viviana Bonilla, 29, takes over from Betty Tola as the national secretary of public management. Bonilla shot to prominence when she satisfied the criteria of youth and beauty which Correa set for the AP's mayoral candidate in the coastal city of Guayaquil. This failed to provide the magic formula to rid Correa of the longstanding mayor of Guayaquil, Jaime Nebot, on 23 February but she was rewarded nonetheless.

Correa also reappointed Vinicio Alvarado Mera as the national secretary of public administration. Alvarado replaces Cristian Castillo Peñaherrera, who only took up the post in June 2013 after Alvarado had held it for six years. The change suggests that Castillo lacked Alvarado's skill at coordinating all of the ministries and making sure they all hit their targets, and his flare for masterminding strategic communications and the dark art of spin. This will be essential if the issue of drilling for oil in Yasuní goes to a referendum shortly (*see box below*).

Alvarado has already got to work, using an official visit to Spain in his capacity as tourism minister, to comment on Correa's mooted constitutional change to allow re-election. The domestic media has tied itself up in knots trying to interpret the significance of his remark to the Spanish news agency *Efe* that "Indefinite re-election might not be the most suitable option this time [...] The possibility of Correa coming back after a gap of one term could be healthier", allowing the public "to compare". Was this a subtle challenge to Correa couched in obsequious terms? Was it pre-planned with Correa to drop an element of doubt into the matter, functioning rather like the president's threats to resign, to provoke a surge of support for him to stay on while ostensibly showing that he is not power hungry?

Other changes saw: the secretary general of the presidency, Glenda Soto Rubio, replaced by former president of the national electoral council (CNE), Omar Simon, (not exactly the best advertisement for the separation of powers); María de los Angeles Duarte, a member of the cabinet ever since Correa came to power in 2007, replaced at the public works & transport ministry by Paola Carvajal, who was, in turn, replaced by Michel Doumet

National transit agency

Michel Doumet
Chedraui, the new head of the national transit agency (ANT) was a candidate for Alianza País (AP) for the mayoralty of Samborondón, in the coastal province of Guayas, in last month's municipal elections. Doumet lost to José Yúnez of the opposition Partido Social Cristiano (PSC).

Justice minister
Completing the cabinet changes was Ledy Zúñiga Rocha, who had been in charge of the national council for social rehabilitation and now takes over the justice ministry, a position which had been vacant since last November. After 55 inmates escaped from a Quito prison, Centro de Detención Provisional (CDP), last December, Zúñiga suggested that prison guards, disenchanted with her proposed audit of all of Ecuador's prisons, were behind a plot to spring a dangerous inmate.

Chedraui (see sidebar) as head of the national transit agency (ANT); Héctor Solórzano Camacho take over as head of Ecuador's transit commission (CTE); and Lieutenant Colonel Rommy Vallejo, until recently the head of police intelligence, replace Pablo Romero Quezada as the new national intelligence secretary. Vallejo took part in the investigations into the Colombian military's notorious bombing of a guerrilla encampment on Ecuadorean soil in 2008, and helped create the presidential security unit.

By far the most interesting of the second batch of (three) cabinet changes on 13 March saw José Francisco Vacas make way for Carlos Marx Carrasco at the labour ministry. Vacas was appointed in April 2012 and given the remit of pushing through a new labour code, requiring consensus-building between companies and trade unions – but this remains incomplete. Marx, by contrast, is a perennial overachiever, presiding over such a rapid and constant growth in the tax take as head of the tax agency (SRI), he was able to boast earlier this year that only good news comes out of the SRI. Still, with tax one of the reasons for the AP's defeat in Quito, putting a more anonymous figure at the head of the SRI, Ximena Amoroso, might have been deliberate. Amoroso had headed the inter-institutional committee for change of the productive matrix.

Yasuní referendum

Ecuador's principal provincial capitals voting for opposition figureheads in municipal elections is one thing; civil society rejecting a key initiative of the 'citizens' revolution' would be quite another. YASunidos, an advocacy group which is spearheading the protest movement against the exploitation of Yasuní, needs to present the CNE with 583,283 signatures, the equivalent of 5% of the electoral roll, by 12 April in order to trigger a referendum on the issue. It currently has around 500,000 signatures, and is confident it will find the rest, although the CNE president, Domingo Paredes, has raised doubts over whether these will be accepted. Paredes said that YASunidos has not been using the official forms the CNE made available for collecting the signatures; the versions it is using are a different size and on different paper.

PERU | POLITICS

Opposition extracts its pound of flesh

Peru's congressional opposition parties fired a shot across the bow of the presidential ship of State last week. In two separate votes on 14 March, the opposition refused to provide the requisite congressional vote of confidence for the newly designated prime minister, René Cornejo, and his cabinet. It argued that Cornejo had failed to provide adequate assurances during his congressional appearance that First Lady Nadine Heredia would stop exerting influence over executive decisions. Congress eventually backed Cornejo and his cabinet on 17 March. But this was only after a chastised Cornejo promised there would be absolutely no interference in his running of government.

The government was plunged into limbo over the weekend after the congressional opposition abstained en masse from providing Cornejo and his cabinet with a vote of confidence. In a second vote shortly afterwards six deputies from the ruling Gana Perú voted against Cornejo in an attempt to trigger a regulation that just votes for and against should be counted and abstentions discarded - but this ploy was unsuccessful.

Cornejo had outlined his cabinet's focus on four fronts: health, education, citizen security and investment. The opposition was more concerned, however, about the influence of First Lady Heredia on government decision-making after Cornejo's predecessor César Villanueva revealed this was the motivating factor behind his resignation after just four months in the job [WR-14-08]. It concluded that Cornejo had not provided adequate assurances that Heredia's influence would be marginal rather than major and he was left to lick his wounds over the weekend.

Cornejo's challenge

Prime Minister René

Cornejo said his

cabinet would

concentrate on

“getting results” in

the areas of health,

education, citizen

security and

investment, and

would have “empathy

with the community”

and “legitimacy”. He

will need to make

rapid strides in order

to acquire

“legitimacy” in the

eyes of the public,

however, and to keep

the backing of the

constructive

opposition in

congress. A poll

released by Ipsos

Perú for *El Comercio*

on 16 March found

that President

Humala's approval

rating had slumped

to 25% in March,

down eight

percentage points on

February, while First

Lady Heredia's

approval rating

suffered a 13-point

decline to 27%.

Shortly before another vote on 17 March, Cornejo declared emphatically that “no type of interference will be tolerated”. Cornejo said he would change the public perception that Heredia is calling the shots, adding that “we are clarifying the rules in government; there will be more active participation of ministers”. The opposition is well aware that short of silencing Heredia, and her Twitter feed, Cornejo cannot really deliver on this promise: Heredia might become less visible; her influence might be exerted more behind closed doors, but it is difficult to see it being circumscribed still less suddenly ceasing; sooner or later it will re-emerge.

Having forced Cornejo to squirm, however, the constructive opposition - excluding the Fujimorista Fuerza Popular (FP) and the Partido Aprista Peruano (PAP) of former president Alan García (1985-1990; 2006-2011) - decided it had made its point and duly lent its support to him and his cabinet, which won a vote of confidence by 66 votes to 52 with nine abstentions. The conservative Partido Popular Cristiano-Alianza para el Progreso (PPC-APP) maintained that it was satisfied with Cornejo's commitment to marginalise Heredia, while José León, the spokesman for Perú Posible (PP), the party of former president Alejandro Toledo (2001-2006) which has an on-off alliance with the government, said it had voted to ensure the preservation of “a stable country with governability”.

The FP spokesman, Héctor Becerril, claimed that the cabinet was “stillborn because of Nadine Heredia's caprice”, and accused the government of hubris. The government cannot expect to deal reasonably with the FP, or the PAP, while García is being investigated by a congressional commission for corruption, but its failure to approach the PPC-APP, for instance, to ensure its support before the vote on 14 March, does smack of arrogance, or worse still incompetence. The constructive opposition will not have taken well to being lectured on conduct by President Ollanta Humala. During his visit to Puerto Inca in the central region of Huánuco this week, Humala urged the opposition to work with the government, arguing that solving the country's problems is “the moral obligation of the political class”.

TRACKING TRENDS

COLOMBIA | IMF calls for fiscal reform. On 13 March a mission from the International Monetary Fund (IMF) concluded its annual Article IV Consultation with Colombia and said that while the country's medium-term outlook is favourable, the authorities should now seek to promote a fiscal reform that would help Colombia reduce its fiscal deficit and public debt in the next few years.

Valerie Cerra, the head of the IMF mission that analysed the state of the Colombian economy during a 10-day visit, said that Colombia had “A strong and competently-managed policy framework – anchored by an inflation-targeting regime, a flexible exchange rate, effective financial supervision and regulation, and a prudent medium-term fiscal framework – [that] has allowed the authorities to respond adequately to shocks, using their policy tools to stabilise growth”. Cerra added that this had allowed Colombia to maintain a sound macroeconomic performance in recent years “weathering well the bouts of global economic and financial stress”. She said that Colombia's economic prospects for 2014 were favourable with her team forecasting growth of about 4.3% and inflation to remain within the central bank's target range of 2%-4%.

However, Cerra pointed out that her team also expected that public sector debt, which according to the latest figures from Colombia's central bank (November 2013) now stands at US\$51.235bn or 13.6% of GDP (a 13.3% year-on-year increase from 2012), will remain broadly unchanged. This despite the express commitment by the government led by President Juan Manuel Santos to reduce the country's structural fiscal deficit and public debt levels while at the same time continuing to roll out social development programmes and invest in developing the country's infrastructure.

According to Cerra, “To achieve this desirable goal, while also providing fiscal space for outlays to reduce poverty and overcome Colombia's infrastructure deficit the authorities will need strong efforts to expand non-oil fiscal revenues”.

Cabinet reshuffle fails to end PMDB rebellion

President Dilma Rousseff completed a further round of her cabinet reshuffle on 12 March. Her government, however, remains hobbled by the congressional rebellion of its coalition partner, the Partido Movimento Democrático Brasileiro (PMDB).

With elections just six months away now, many of Rousseff's cabinet have been obliged to quit to seek re-election. Given the broad and disparate coalition of parties that the ruling Partido dos Trabalhadores (PT) needs to govern, finding their replacements has been a challenge. Lacking both the political skills, and the personal warmth, of her predecessor, Lula da Silva (2003-2010), Rousseff has alienated a large number of congressional deputies from nominally allied parties.

Among the PMDB in the lower chamber, led by Eduardo Cunha, the list of grievances starts with the failure to add to the PMDB's five ministerial portfolios, and includes disagreements on alliances with the PT for state elections; the failure to release federal funds for parliamentary amendments; and the apparent reluctance of the president to allow the party a say in executive decision-making. Rousseff's micro-management is the source of some irritation in Brasília, and the impression that she is determined to centralise power will not be dispelled by her new, technocratic cabinet appointments. Though most are highly qualified for their new roles, it is perhaps their political pliancy that most suits the president.

After a career spent at the state-run Caixa Econômica Federal, Gilberto Occhi, is the new cities minister. Occhi has never held political office, but his appointment was blessed by the Partido Progressista (PP), whose minister, Aguinaldo Ribeiro, he replaced. Senator Eduardo Lopes, from the Partido Republicano Brasileiro (PRB) becomes fisheries minister, replacing fellow PRB-member Marcelo Crivella. Lopes is Crivella's senate substitute. Miguel Rossetto becomes the agricultural development minister, replacing Pepe Vargas: both are from the PT.

The new science and technology minister is Clélio Campolina, a university professor with links to the PMDB. The agriculture and tourism portfolios remained in PMDB hands. Neri Geller, formerly the secretary of agricultural policy, was promoted to minister, replacing Antônio Andrade (PMDB). Though affiliated to the PMDB, Geller is also said to be close to the powerful agri-senator Blairo Maggi, 'the king of soya', and a senator for the Partido da República. He is also linked to the PMDB senate president, Henrique Alves. Vinicius Nobre Lages, the new tourism minister, has ties to the PMDB, but he is not formally affiliated to the party.

Despite their links to the PMDB, neither of the appointments to the agriculture or tourism ministry was welcomed by the party's bank of congressional deputies. In a mild gesture of defiance, the party's deputies boycotted the swearing-in of the new ministers on 17 March. What will have worried Rousseff slightly more was the absence of Alves. Until this week, Alves had appeared to sympathise more with the president than with his colleague, Cunha, but he chose to spend 17 March attending a meeting of Solidaridade, a party in open opposition to the government in his home state of Rio Grande do Norte.

Certainly, the new appointments did not diminish Cunha's appetite for a fight with the government. On 18 March voting on six urgent legislative bills was postponed while the government tried to work out how to bypass the opposition of the 'bloco', the group of rebels from government-allied

Carandiru trial

A further ten police officers from São Paulo's military police were handed lengthy prison sentences over their part in the 1992 Carandiru massacre on 19 March. One hundred and eleven inmates were killed when police stormed the jail. The latest case was the third trial of the police officers accused; a final trial is expected at the end of March.

Varig compensation

On 12 March Brazil's supreme court ruled that the government owed between R\$3bn – R\$6bn (US\$1.3bn-US\$2.5bn) compensation to the shareholders of the defunct airline, Varig, over the decision to freeze airfares during the presidency of José Sarney (1985-1990). The price freeze was mandated as part of the 'Plano Cruzado' set of economic measures introduced by Sarney to stabilise the economy following the end of the military dictatorship (1964-1985).

parties that have coalesced around Cunha. In an attempt to peel off some of his support, the government made a significant concession on the 'marco civil', a civil rights bill for the internet. In the wake of the recent revelations about the extent of US spying activities, the government wanted to force internet companies to store data on its customers in Brazil. That has now been dropped.

The previous week Cunha had also been instrumental in persuading congress to launch investigations into a number of different ministries. Four ministers have been summoned to appear before the chamber; another six have been invited to do so. The remit of the investigations ranges from inquiries into the maladministration of public funds to basic technical questions. Their main purpose, however, seems less about finding out any particularly valuable information and more about tying up the government.

The vote revealed the strength of Cunha's hand. He leads a bank of 75 PMDB deputies, the second-largest number in the house after the PT, but he managed to secure 267 votes for, versus just 28 against, an investigation into allegations against employees of the state-run oil company Petrobras. In a further twist, on 20 March, *O Estado de São Paulo* revealed that the opposition is seeking to take advantage of the poor relations between the PMDB and the PT to force a full congressional investigation into Rousseff's handling of the purchase of a refinery when she was chief of staff to Lula, and on the advisory board of Petrobras in 2006. Rousseff's strong position in the opinion polls could prevent a complete break-down of the alliance, but the relationship looks set to turn increasingly ugly.

URUGUAY | ECONOMY

Bergara fights rear-guard action against inflation

The government of President José Mujica is taking urgent action to prevent inflation bursting through the psychological barrier of 10% and picking up uncontrollable momentum thereafter. The economy and finance minister, Mario Bergara, appeared before the senate finance commission to discuss the matter on 6 March after 12-month inflation in February hit 9.82%. After a subsequent meeting with the umbrella trade union *Plenario Intersindical de Trabajadores-Convención Nacional de Trabajadores (Pit-Cnt)*, Bergara announced a series of reductions in value-added tax (VAT) designed to contain inflation.

The inexorable rise of inflation is causing serious concern among economic policymakers in Uruguay. Inflation has been kept below double digits for nine consecutive years, the longest stretch since records began in 1939, but the abiding fear in government circles is that if inflation is ever allowed to breach the 10% barrier it could quickly spiral out of control. Inflation has been consistently higher than the government's target range of 4%-6% for several years but 9.82% is too high for comfort.

President Mujica has long argued that containing inflation is one of the biggest gestures the government can make to the poorest sectors of society whose purchasing power is eroded by high consumer prices. Keeping it under control, he implied, was a prerequisite for any responsible left-winger, as it would do as much as the long-cherished goal of improving income distribution to improve life for the poor. "Inflation," he has said, "expropriates from the poorest, whose wages are frozen, and unemployed workers." Mujica said it had taken Uruguay 26 years, from 1972 to 1998, to tame inflation, bringing it down from 80% to 8% (under right-wing governments). Uruguay still has the third highest inflation rate in Latin America after Venezuela and Argentina.

The Pit-Cnt trade union proposed reducing electricity tariffs; temporarily removing VAT on some products in the basic basket of goods; price accords with big stores on these products; and even more drastic measures, such as

Looking on the bright side

Mario Bergara also said it was important to look on the more positive reasons behind the high inflation. He said that low unemployment in Uruguay meant that more people were earning more money, and that rising salaries (especially, though he did not mention it, for the large State workforce and sectoral agreements with FA-affiliated trade unions) had increased internal demand, pushing up prices. Bergara also said that there would be no reduction in public spending. It is, after all, an election year.

price controls because of “speculation by part of the business sector”. This final proposal is redolent of the Venezuelan government’s rhetoric and its efforts to force down inflation as President Nicolás Maduro wakes up to the punishing toll of high inflation on the poor.

However, Venezuela offers a living example of the ineffectiveness of price controls, which provide no incentives for production, and Bergara was clearly very loath to go down that route. Bergara, who was central bank president until last December, did adopt the rest of the Pit-Cnt’s proposals though. After a meeting with the union’s leadership, Bergara announced a congressional bill to reduce VAT on public utilities, the state power company Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE) and state telecoms company Administración Nacional de Telecomunicaciones (Antel), to reduce electricity tariffs and telephone bills. The high inflation rate in January could be attributed to the annual increase in electricity tariffs by the UTE.

Bergara also said that VAT would be reduced on the import and export of vegetables and fruit. The State will forego US\$100m in VAT as a result of all these measures. Separately Bergara proposed accords with big stores to freeze, or even reduce, the price of products in the basic basket of goods.

Bergara admitted that the measures would “not combat structural inflation” but would tackle exceptional circumstances, such as the storms that lashed the country in the first few weeks of the year, causing floods. High inflation of 1.66% in February (the highest for this month since 1995) was largely down to unseasonably bad weather damaging crops - food inflation was 2.48% for the month – although Bergara accused some fruit and vegetable sellers of speculation.

Argentine threat

After appearing before the senate finance commission on 6 March, Bergara acknowledged to the press that inflation was his “main focus of concern and attention”, but insisted that the situation was “not out of control”. The underlying fear in Uruguay is that economic policies pursued in Buenos Aires could undo all the good work done in Montevideo. Annualised inflation of 9.82% is the highest rate since August 2004 when Uruguay was recovering from post-traumatic stress disorder in the wake of a battering from Argentina’s 2001-2002 economic and financial crisis. Bergara tried to downplay Uruguay’s vulnerability to a relapse in a candid radio interview last month [see our sister publication *Brazil & Southern Cone Report RBS-14-02*] but it remains a serious cause for concern given the present politico-economic uncertainty in Argentina.

ARGENTINA | POLITICS & ECONOMY

Turning the tanker around

February’s official inflation figure showed a slight improvement on that of January: from 3.7% to 3.4%. A *Reuters* poll had expected 4.2% for the month. Given the Argentine government’s reputation for tinkering with its official statistics, the lower figure prompted some scepticism among market watchers. Still, even if taken at face value, a rate of 7.1% for the first two months of the year, which is projected to turn into an annual rate of well over 30%, is bad news for the government as it continues its wage negotiations with labour unions.

Food and healthcare were the two main drivers of February’s increase. The category of “medicinal products” went up by 12.4%, while meat rose 5.8%, fruits 5.4%, and transport 4.9%. As in January, Axel Kicillof, the economy minister, said the devaluation of the peso was the main reason for the high rate. The government is attempting various methods to keep inflation down. Interest rates have gone up, the ‘Precios Cuidados’ programme has frozen the prices of various supermarket goods and the government is trying desperately to resist high wage demands.

Crimea v Malvinas

Speaking in France, President Fernández lamented the “double standards” over the West’s attitude to Crimea, compared to its position over the Falklands/Malvinas Islands. “One cannot defend territorial integrity in Crimea but not in the case of Malvinas,” she said. Referring to the referendum that took place on the Falklands last year, and showed an overwhelming majority of the residents in favour of British sovereignty, she said, “World powers have showed themselves in favour of the Islands’ referendum and that has no value. Now, if Crimea’s vote has no value, that is just a few kilometers away from Russia, then the vote of an overseas colony that lies 13,000km from London lacks all value.”

Subsidies

The government has not, however, come to a clear decision on whether to limit subsidies. Around 26% of government subsidies go to the transport sector, which has already seen a significant rise in cost this year. The major cost for the government, however, is the energy sector, which receives 64% of all subsidies. The government is sending mixed messages. Jorge Capitanich, the cabinet chief, defended once again the government’s subsidies policies on 19 March, saying that they facilitated “great inclusion and equality”. A week earlier, he told the senate that it was “absolutely impossible” to imagine the “total elimination” of subsidies. But the planning minister, Julio De Vido, recently talked about a “partial elimination [of subsidies] in those sectors that are ready.” Kicillof himself has been more circumspect, saying only that the subsidy policy is being reviewed.

Last month, President Cristina Fernández threatened to cut off the benefits of people who bought US dollars. “It is not right that we subsidise the electricity and gas bills of those who can afford to buy dollars,” she said.

Teacher’s strike

The publication of February’s inflation figure this week has not helped end the nationwide teachers’ strike [WR-14-10]. In the province of Buenos Aires alone, around 3.5m students have been affected by the strike, which has now entered its 12th day. On 18 March, the provincial governor, Daniel Scioli, threatened to apply unilaterally a wage increase of 30.9% regardless of the teachers’ co-operation. The deputy governor, Gabriel Mariotto, is currently trying to draft a law that would make public education an “essential service”, thereby rendering the strike illegal. A day later, the leader of the Sindicato Unificado de Trabajadores de la Educación de Buenos Aires, Roberto Baradel, rejected the threat and vowed to continue “fighting on the streets”. The teachers are the first of several wage negotiations the government will have to manage over the remainder of March and April, so the eventual settlement is likely to set the tone for the collective bargaining to come.

Fernández on tour

With President Fernández now increasingly withdrawn from day-to-day political battles in Argentina, this week she embarked on a European tour. Though it got off to a bad start when she sprained an ankle, she enjoyed spending a few hours with her compatriot and fellow head of state, Pope Francis, during which they discussed youth unemployment. On 19 March she headed to Paris to meet President François Hollande to discuss the Argentine position ahead of its negotiations with the Paris Club of creditors, to whom Argentina owes around US\$9bn. The next round of negotiations over the debt is due to begin on 28 May. Fernández also thanked Hollande for France’s decision to file an *amicus curiae* brief with the US Supreme Court regarding Argentina’s long-running battle with creditors that refused to accept its debt write-down.

CHILE | DIPLOMACY

Muñoz moots Mercosur-Pacific Alliance union

Chile’s experienced new foreign minister, Heraldo Muñoz, has spelt out his country’s new foreign policy direction, including an eye-catching proposal to merge the ailing Southern Common Market (Mercosur) and the burgeoning Pacific Alliance.

The first foreign trip of President Michelle Bachelet will be to Argentina and Brazil. Muñoz argued in an article written for the Spanish daily *El País* on 13 March that Chile would prioritise its relations with the region, “especially South America”, and that its foreign policy objective was “convergence in diversity”, which he said “combines realism with political will to advance towards a more integrated and autonomous region”.

Electrofácil arrives on LSE

On 18 March the CEO of Paraguayan electronic retailer Electrofácil, Luis Saguier Blanco, announced that on 4 March the firm began floating on the London Stock Exchange (LSE) as part of Latin South Holdings PLC. Electrofácil becomes the first Paraguayan-owned firm to be listed on the LSE. According to Saguier, shares in the firm, which has been valued at US\$35m, began trading at £0.32. Saguier said that trading on the LSE is “a significant achievement not just for Electrofácil, but for Paraguayan business as it opens the way for other local firms that also want to have an international presence”.

During a conference organised by the United Nations (UN) Economic Commission for Latin America and the Caribbean (Eclac) on 12 March, Bachelet said Chile had “lost regional presence” under her predecessor Sebastián Piñera (2010-2014). Muñoz developed this in his piece, arguing that Chile would undertake a change in foreign policy away from “privileging economic relations – which will remain important for the country – towards an integral perspective that grants similar weight to the political, social and cultural dimensions of our ties”.

Muñoz said that Chile would have no “ideological bias”. Bachelet has noticeably differed from Piñera in her response to the protests unfolding in Venezuela. “We will never accept that anyone, people or country, provokes through violent mechanisms the toppling of a legitimately elected president,” Bachelet said in an interview with the national daily *El Mercurio* on 16 March. Chile, Muñoz argued, wants to “build bridges over and above ideological or sub-regional differences”, adding that “sub-regional projects could be building blocks to a bigger and more inclusive Latin American integration”.

Muñoz argued that integration movements in Latin America and the Caribbean have proliferated “to the detriment of its influence in a world organised in regional blocs”, and that it “lacks convergence and coordination”. He said that Chile would strengthen its presence in the region’s distinct integration mechanisms (critics might argue that Chile is keen to be in all of the integration clubs without really fully committing to any of them having been an associate member of Mercosur since 1996 and an associate member of the Andean Community [CAN] since 2006 after being a full member of the original Andean Pact from 1969-1976.)

Muñoz went on to propose that “we should discuss the possibility of a convergence of the Pacific Alliance and Mercosur”, suggesting the application of “the European Union’s concept of ‘different speeds’, which would permit some countries [...] to advance more rapidly than others in the integration process.” Given the enormous difficulties Mercosur is experiencing in consolidating a *bona fide* integration, these ‘speeds’ could be very different indeed.

It must be a moot point whether Muñoz’s grand design gets off the drawing board, or whether he will become the latest in a long line of diplomats past and present, dating back to Simón Bolívar, who has dreamt of an overarching integration movement in the region. For one thing is this not exactly what the Community of Latin American and Caribbean States (Celac) purports to be?

TRACKING TRENDS

CHILE | BCCH still cutting rates. On 13 March Chile’s central bank (BCCH) announced that following its latest monetary policy meeting, it has decided to cut its benchmark interest rate (TPM) by 25 basis points to 4%. This is the fourth time that the bank has cut interest rates since January 2012 in a bid to stimulate the slowing domestic economy. In a statement, the BCCH said that the decision answered to the fact that “the world’s main economies continue to show signs of a weak [economic] recovery, while growth forecasts for emerging economies, especially those in Latin America, have receded”; and that the domestic economy “has continued to lose dynamism... with domestic demand and economic activity growing by less than previously forecast”.

Chile’s economy has been experiencing a gradual slowdown since the second quarter of 2013. As a result of this, according to the latest BCCH figures, last year the Chilean economy grew by 4%, the lowest rate since 2009 when the country was severely affected by the global economic crisis and much lower than the 5.6% posted in 2012. Problematically, a day before the BCCH’s TPM announcement the local branch of Banco Santander published a report which pointed out that despite the BCCH’s expansionary monetary policy it expected that economic activity would continue to slow down in the first two quarters of 2014. Consequently, Banco Santander is forecasting that Chile’s economic growth this year will be between 3.3% and 3.7%, below the average of 4.5% observed in the last decade, a cause for concern for the new government of President Michelle Bachelet.

What lies behind security chief's resignation?

The head of Mexico's national security commission (CNS), Manuel Mondragón y Kalb, has tendered his resignation, the first high-ranking public official to do so since Enrique Peña Nieto became president in December 2012. Public security remains the main challenge facing the Peña Nieto government, but Mondragón's departure comes as the federal security forces have managed to deliver some significant blows to organised crime. As such, speculation abounds that there is more to his decision to step down than the cited "personal reasons".

Mondragón was handpicked by Peña Nieto to head up the newly formed CNS last year. Created as part of the Peña Nieto's administration's re-organisation, the CNS replaced the public security ministry (SSP) and is tasked with overseeing and coordinating public security efforts across the country. The CNS commissioner is in charge of the federal police (PF), giving the office considerable clout. The level of responsibility conferred on the CNS was considered to be so high that the political opposition only agreed to its creation on the condition that the president's choice for commissioner had to be ratified by the senate. Mondragón, a respected former naval officer that successfully headed Mexico City's security ministry under the left-wing government of the opposition Partido de la Revolución Democrática (PRD) under former mayor Marcelo Ebrard (2006-2012), was carefully chosen to ensure no objections from the opposition in the senate.

Since then the government has scored a number of successes on the security front including the capture of Joaquín 'El Chapo' Guzmán Loera and other prominent drug traffickers, as well as making considerable progress in restoring law and order in the troubled state of Michoacán. As an integral part of the national security apparatus, Mondragón shares some of the credit for these successes and the plaudits that they have earned the Peña Nieto government. However, the Peña Nieto administration's security successes against organised crime have not yet translated into an observable reduction in the number of crimes associated with it that affect the local population, especially kidnapping and extortion, which Peña Nieto had said would be the focus of his government's security efforts. Indeed, according to the latest official figures reported kidnappings increased by 20.4% last year and reported extortion cases by 10.5%.

At the last CNS meeting held in December 2013, Peña Nieto himself recognised that the government needs to do more on the security front to stop the rise of kidnapping. Peña Nieto then called on his security team to present a clear strategy by January to "tackle, contain and reduce the kidnapping rate". However, as recently released figures from the local NGO 'Alto al Secuestro' suggest (*see sidebar*), the authorities have been unable to do this.

In this light the announcement by the interior minister, Miguel Angel Osorio Chong, on 16 March that Peña Nieto had accepted Mondragón's resignation and his petition to "assist in [security] planning tasks" only from now on, perhaps looks less surprising. Two days later, on 18 March, Osorio Chong announced that Peña Nieto had named Monte Alejandro Rubido García as Mondragón's replacement. It remains to be seen if the former head of the national public security system (SNSP), the interior ministry's security office, will be able to deliver the kind of results that eluded Mondragón. But first his appointment must be ratified by the senate, which may have some very pointed questions to put to the government.

Alarming figures

On 18 March 'Alto al Secuestro' released figures that showed that in the 15 months since Enrique Peña Nieto took office in December 2012, there have been 3,604 kidnappings in the country, 492% more than in the comparable period of the administration of former president Felipe Calderón (2006-2012). Presenting the figures, Alto al Secuestro's director, Isabel Miranda de Wallace, said that "We are doing very badly, that is why we respectfully but energetically call on the Peña Nieto government to expedite coordination among all federal and state bodies to fight kidnapping". Significantly, Wallace, who is linked to the right-wing opposition Partido Acción Nacional (PAN), added that "kidnapping is a crime that can and must be stamped out in Mexico, and any official that can't or won't work towards this must resign".

Solís has his work cut out**Reassurances**

Luis Guillermo Solís has explicitly ruled out joining the Venezuela-led left-wing integration bloc Alianza Bolivariana para los Pueblos de Nuestra América (Alba) and pledged that Costa Rica will remain in the Central America-US-Dominican Republic (Cafta-DR) free trade treaty which took effect in 2009 (despite having previously opposed it). He has also expressed support for the Pacific Alliance regional trade bloc (comprising Colombia, Peru, Chile and Mexico), to which Costa Rica formally signed up last month.

The presidential candidate for the centre-left Partido Acción Ciudadana (PAC), Luis Guillermo Solís, had his task made much easier ahead of the 6 April run-off following the surprise decision by his rival, Johnny Araya of President Laura Chinchilla's centrist Partido Liberación Nacional (PLN) to abandon his campaign [WR-14-09]. However, the challenges facing Solís remain considerable, not least in terms of providing reassurances to the private sector which seem to be undermined by members of his own party.

Since winning the 2 February first-round, Solís, who based his campaign on the need to address official corruption and inequality, the two main complaints against the PLN government, has made a concerted effort to reassure the private sector. One of his first moves after the election was to meet representatives of the private sector organisation Unión Costarricense de Cámaras y Asociaciones del Sector Empresarial Privado (UCCAEP) and insist that the PAC is not an "irresponsible" party (*see sidebar*).

However on 17 March Solís was forced to provide more reassurances to another private sector lobby, the Costa Rican-American Chamber of Commerce (Amcham) after its president, Humberto Pacheco, raised concerns about remarks made by the PAC founder, Ottón Solís (no relation to Luis Guillermo), the previous week. Ottón Solís, who founded the PAC in 2000 along with other PLN dissidents opposed to the PLN's perceived shift to neo-liberalism and the Washington Consensus, had suggested that the US\$1bn contract awarded in 2011 to Netherlands-based APM Terminals for the construction of a new terminal at the Puerto Limón/Moín complex should be revised. The expansion of the port, which handles 80% of Costa Rica's maritime commerce, is Costa Rica's biggest-ever construction project.

While Luis Guillermo Solís's response – that the contract was not up for question – may have provided some relief to Pacheco, the Amcham president nonetheless voiced more general concerns about the lack of clarity regarding Solís's platform, underlining that "everyone is anxious to know the philosophy" of a future Solís government. Pacheco also pointed to possible divisions within the party itself, highlighting "concerns about the extreme wing that exists in the PAC which is publicly contradicting its candidate". This suggests that, on top of the fragmented congress that Solís will inherit, he could also face some challenges from within his own party.

Electricity costs – the big concern

The other issue on which the private sector is calling for clarity is how Solís intends to address rising electricity costs – the main concern for the private sector. Local daily *El Financiero* cites figures from Costa Rica's utility regulator Autoridad Reguladora de Servicios Públicos (Aresep) which show that electricity tariffs have risen by 33% in six years – from C\$61.15 (US\$0.11) per kWh in 2007 to C\$81.31 (US\$0.15) in 2013. This has led figures like the UCCAEP president, Jaime Molina, to call for a reduction in electricity tariffs, warning that the country is becoming less attractive for potential investors as a result.

In the short term, UCCAEP is calling for the approval of a bill first proposed by President Chinchilla in May 2011 which, among other things, would raise the permitted limit of energy generated by private companies, from 15% to 25% of the total. Solís, however, continues to rule out liberalising the sector and instead is pledging to reduce electricity tariffs through revising the conditions of loans offered by the Instituto Costarricense de Electricidad (ICE) – the state run electricity and telecommunications services provider – as well as modifying Aresep's tariff calculations and improving the efficiency of state-run generating facilities. Doubts persist, however, as to how much impact this will have.

Tit for tat

Following the recent decision by Venezuela's President Nicolás Maduro to sever relations with Panama [WR-14-09] President Ricardo Martinelli levelled familiar accusations at his Venezuelan peer. On 16 March his government issued a statement accusing Maduro of interfering in domestic affairs by making public "on more than one occasion his preferences" for the Partido Revolucionario Democrático (PRD) presidential candidate, Juan Carlos Navarro. The previous day Maduro, whose predecessor, the late Hugo Chávez (1999-2013) had had good relations with the previous PRD government (2004-2009) said he had no doubt that "sooner rather than later, the Panamanian people will reprise the glorious and Bolivarian flags of [the PRD's late founder], Omar Torrijos". Navarro for his part has denied any links or contact with Maduro.

Deal reached over Panama expansion project

It took two and a half months of negotiations but a final deal has been signed between the Panama Canal authority (ACP) and international consortium, Grupo Unidos por el Canal (GUPC), signalling an end to the dispute as to who should foot the bill for the US\$1.6bn cost over-run of the construction of the third set of locks – the biggest project under the US\$5.3bn Panama Canal expansion plan. Even with the deal, the completion date of the expansion project, which is 70% complete, has already been pushed back by a further six months to December 2015.

According to a 14 March GUPC press release, under the final agreement, the GUPC and ACP will contribute US\$100m each while GUPC will arrange a further US\$400m in financing that "involves international lenders and Zurich Insurance, which also signed the agreement." Other provisions include "an extension of the financial moratorium related to certain payments to facilitate investment in the project" while "the remaining lock gates that are in Italy will arrive in Panama in phases, through transportation on staggered shipments".

With the 4 May general elections looming, the dispute has ultimately had little impact on the electoral race. José Domingo Arias, the candidate for President Ricardo Martinelli's ruling Cambio Democrático (CD), maintaining a stable lead with 39% of voting intentions, according to the latest (17 March) Dichter & Neira poll. Second, with 32% is Juan Carlos Navarro of the Partido Revolucionario Democrático (PRD) while Juan Carlos Varela, of the Partido Panameñista (PPA) is third on 24%. The poll, which interviewed 1,200 people across the country (bar the indigenous Comarcas and the Darien jungle region) and had a 2.9% margin of error, showed the other four candidates (Genaro López of the Frente Amplio por la Democracia and independents, Juan Jované, Esteban Rodríguez and Gerardo Barroso) together mustering 2% of voting intentions.

The campaign has been characterised in part by repeated clashes between Martinelli's CD and the three-member electoral tribunal (TE) –illustrating the court's politicisation and raising doubts over the electoral process. The latest dispute was triggered by a complaint lodged by TE president Erasmo Pinilla on 7 March with the attorney general's office related to the CD's alleged illegal access to and use of information from TE databases as part of campaigning efforts. According to the TE's complaint, the CD has established a database, accessible via its website, which provides confidential personal information on citizens obtained from the TE's identity verification service (SVI) without authorisation. The complaint prompted an angry response from both Arias - who insists that the information is public - and Martinelli who tweeted that "all the parties in Panama and the world produce databases to identify and mobilise supporters", and that the complaints against the CD "are rubbish".

The latest row comes less than a month after the CD issued an open letter expressing serious concern about the TE's electronic rapid vote counting system (TER), which will be used for the first time in the May contest, warning that it could be easily manipulated. These concerns, which led the CD to demand that all political parties should have direct access to the TER in order to verify its accuracy, prompted a defensive response by the TE which insisted there are no concerns with the system.

These rows stem from the fact that two of the three TE judges (who all serve 10-year terms) - Erasmo Pinilla and Eduardo Valdés Escoffery - are opposition-aligned. (Under Panama's constitution, one of the TE judges is selected by the executive, one by the legislature and one by the supreme court (CSJ). Escoffery was appointed by former president, Martín Torrijos (PRD; 2004-2009), while Pinilla was picked by the previous PRD-dominated legislature. The remaining judge, Heriberto Araúz Sánchez, was appointed in October 2012 by the CSJ after he received the backing of all four CSJ justices appointed by Martinelli.

Quotes of the week

“What we are seeking with this appeal (to annul the elections) is for the next president of the Republic to be legitimate; it would be terrible in a divided country for 50% of the population to consider the person elected to be illegitimate. This would create more problems for the country.”

Jorge Velado, the president of El Salvador's right-wing opposition Arena

“Forty eight hours will not pass before First Lady [Nadine] Heredia gives an opinion on political issues again and her courtiers here [in congress] will keep saying she is the president of the party and has the right to comment.”

Mauricio Mulder, deputy for Peru's opposition Partido Aprista Peruano (PAP)

“I want to ask foreign governments, and especially the Venezuelan government, very insistently, to take their hairy hands out of Panama's politics and stop financing Panamanian [opposition] candidates.”

Panama's President Ricardo Martinelli ahead of general elections on 4 May

POSTSCRIPT

A bad week for Brazil's police

A shaky camera phone held by a nervous driver shows the body of a woman being dragged from the back of the police car in front. At a traffic light, someone notifies one of the police officers that there is something hanging out of the back of the boot. He gets out, stuffs the body back in the boot and drives off. On 18 March Brazil's President Dilma Rousseff tweeted her condolences: “Cláudia da Silva Ferreira had 4 children, was married for over 20 years and woke up at dawn to work in a hospital. Her death has shocked the country.”

Ferreira was killed in a police raid on Morro da Congonha, a favela in Madureira, in the *Zona Norte* in Rio de Janeiro. A riot broke out shortly after her death, and two buses were torched. Three police officers are now being investigated over the incident. They say that Ferreira's death was an accident, that they had mistaken her for a criminal when they shot her, and that they were trying to take her to hospital when the boot sprung open. “Brazil's police kill more people than any other police force in the world,” Renato Sergio de Lima, from the Brazilian forum of public security, said. In 2012, the last year for which data was available, Brazil's police killed an average of five people a day.

So far this year has proved deadly for the police themselves. In the state of Rio de Janeiro alone, 16 police officers have been killed in service since the start of 2014. Over the weekend, an officer from the police pacification unit (UPP) in Rocinha was shot while he was off-duty when he was recognised by gang members in the city's *Zona Norte*. Another was killed trying to prevent a raid on a cash machine.

The Rio state governor, Sérgio Cabral, said that criminals are trying to undermine the public's confidence in the pacification process. “These are attempts by organized crime to intimidate us,” he said. “We will not go one step back.” Earlier this week, Rio's special operations units re-entered the Complexo do Alemão, following an uptick in violence in the favela. In November 2010 Alemão was the scene of the most violent pacification process to date, when at least 37 people were killed as troops stormed the favela.

Vila Kennedy, another favela in Rio's *Zona Norte*, was pacified on 15 March, becoming the 36th community to receive a UPP. The state government is on track to reach its target of 40 by the end of the year. UPPs are now present in 18% of the city's favelas.



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