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## CONTENTS

### ANDEAN COUNTRIES

#### COLOMBIA 3

Santos handed boost by Uribe

#### VENEZUELA 4

Foreign companies react to Sicad 2

#### BOLIVIA 6

Two key deals but a new threat for Morales

### BRAZIL & SOUTHERN CONE

#### ARGENTINA 8

Opposition forces unite in show of unity

#### BRAZIL 9

Getting jittery

#### BRAZIL 10

Supreme court limits inquiry to Petrobras

#### CHILE-BOLIVIA 11

Muñoz rebukes Morales over Pacific case

### TRACKING TRENDS

### MEXICO & NAFTA

#### MEXICO 13

Peña Nieto files lawsuit against states

#### MEXICO 14

Security strategy under the spotlight

#### MEXICO 15

Pemex presents vision of the future

### TRACKING TRENDS

### POSTSCRIPT 16

Maritime dispute resolved without recourse to the ICJ

Quotes of the week

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## Sánchez Cerén faces resurgence of violence in El Salvador

Of the many challenges which El Salvador's Salvador Sánchez Cerén will face when he takes office on 1 June there is none so pressing as that posed by an escalation in violent crime and extortion associated with the country's *mara* gangs. Homicides are on the increase and in recent weeks gangs have carried out a series of brazen attacks on police, prompting one former head of the national police (PNC) to warn that El Salvador is at risk of becoming a "failed State". Just as there are marked differences between politicians about how to deal with the *maras* - more repression or more emphasis on prevention and reinsertion - two separate peace plans have emerged in the last week: one tabled by the current justice and public security minister, Ricardo Perdomo; and one by nine different churches, including the original two mediators of the March 2012 gang truce.

During his electoral campaign President-elect Sánchez Cerén promised to fight crime with the full weight of the law but also "intelligently", and with an emphasis on prevention rather than repression. Security has long been the principal public concern in El Salvador but Sánchez Cerén is also acutely aware that reducing the level of violence per se, as the gang truce did initially, is insufficient; he needs to find an answer to practices inimical to a thriving business environment, such as widespread extortion by gangs, which will discourage the investment he requires to revive El Salvador's stagnant economic growth, investment which would help create more jobs to lessen the attraction of gangs.

Sánchez Cerén was short on details for how he plans to proceed on the public security front and is yet to announce who will pick up this crucial ministerial position. In the last week, however, two 'peace' proposals have been presented, seeking his seal of approval. Perdomo, who progressively distanced himself from the truce brokered between rival *mara* gangs by former congressman Raúl Mijango and Roman Catholic Bishop Fabio Colindres after being appointed public security minister in May 2013, formally launched a 'pacification process' on 17 April.

Perdomo called on *mara* leaders "to stop killing, stop extorting the population, and to join the pacification process". He said that representatives of the Roman Catholic Church and evangelical church and at least 15 NGOs working to prevent violence would take part. He said some preliminary meetings had already been held and "a methodology for productive reinsertion, rehabilitation and prevention" established. He said there would be no government commission, and gang members who want to take part will have to talk to representatives of the churches and NGOs participating in the process. He said the objective of the new process was for actors who can make "real economic, social, moral and religious changes to talk to those that have left the path of righteousness" and to reach a national accord with

## Homicide rate

The gang truce begun in March 2012 brought the daily homicide rate in El Salvador down from an average of 14 to 5.3. According to the Instituto de Medicina Legal (IML), which keeps a regular tally, the homicide rate has now risen to 9.9 a day. March was the most violent month for two years in El Salvador, with 281 murders. In the first six days of April alone homicides were up by 160% year-on-year. Three gang members just released from prison were killed along with their taxi driver on 21 April in broad daylight in San Salvador.

government supervision and the technical support of the United Nations Development Programme (UNDP). He contrasted the inclusiveness of his multi-sector “transparent” plan with talks carried out by “just two people” - an allusion to the truce mediated by Mijango and Colindres.

Perdomo said the government and other participants had been working on the dialogue process for the last eight months, with the input of the archbishop of San Salvador, José Luis Escobar Alas, who has been critical of the truce. For a process billed as “transparent”, little is known about it. Mijango and Colindres reacted by saying it was the first they had heard about the proposed dialogue process. They claimed it was merely part of a bid by Perdomo to keep his position in the new government. Instead, Mijango blamed Perdomo for the “stagnation and uncertainty” surrounding the truce, saying that gang leaders felt “a loss of enthusiasm and confidence” because of the lack of commitment of the authorities. “We are deeply concerned,” Mijango said. “The lack of communication between the gangs and the *mano dura* practices of the authorities has set off a level of violence that is destroying the process.”

There is certainly an element of carrot and stick to Perdomo’s approach. Shortly before he tabled the proposal for a dialogue process, Perdomo announced that *mara* gang members who attacked the police, military or public officials would face trial under the anti-terrorism law, approved in 2006, which includes prison sentences of up to 60 years. The PNC reported that up until 22 April this year there have been 65 attacks on police officers, up by more than one-third on the same period last year, with three policemen killed and 11 injured.

The PNC attributed the attacks on the police in part to the fact that it has been more active at cracking down on “suspicious activities” by gangs. Mijango accused the police of provoking the gangs by harassing them in the ‘peace zones’ established under the second phase of the truce. He did say, however, that he would instantly resign from his mediation role if it was proven that gang leaders had ordered direct attacks on the police. Perdomo claimed that an ‘ambush’ of a police car and an attack on a police station on 5 April in the ‘peace zone’ of Quezaltepeque, a municipality in the department of La Libertad, in which a police officer was killed, was ordered by imprisoned *mara* leaders. A protected witness claimed Mijango ordered one of these attacks, an allegation which Mijango dismissed as “a desperate and vile act of the current minister”.

Mijango accused Perdomo of trying to divide the peace effort, using his own mediator, Antonio Rodríguez, a priest known as Padre Toño, to negotiate with the gangs. Mijango said he wanted to revive the truce through “a great national dialogue”. Sure enough on 22 April the leaders of nine ecclesiastical denominations, including Colindres and Lutheran and Anglican bishops Medardo Gómez and Martín Barahona respectively, presented Sánchez Cerén with a proposal to reactivate the process and stop the escalation in violence through three mechanisms for dialogue: inter-gang talks; talks between gangs and civil society; and talks between civil society and the State. Dubbed the ‘Iniciativa Pastoral por la Vida y por la Paz’, the proposal does not look all that different to Perdomo’s own proposal, with the emphasis on broad participation, and the stipulation that “the government should not negotiate directly with the gangs”.

While considering the two alternative dialogue proposals, Sánchez Cerén will also have a warning ringing in his ears from Rodrigo Ávila, a former director of the PNC and the 2009 presidential candidate for the right-wing opposition Alianza Republicana Nacionalista (Arena), that El Salvador could become “a failed State”. Ávila argued that the gangs have strengthened since the truce in 2012 and were better-equipped and more dangerous than ever, and that a protracted dialogue process would play into their hands.

**Santos handed boost by Uribistas**

The death of Colombia's Nobel literature laureate, Gabriel García Márquez, at the age of 87 could indirectly benefit President Juan Manuel Santos as he seeks re-election on 25 May. Santos suitably captured the sense of national loss, eulogising García Márquez as "the greatest Colombian of all time"; but his closest electoral rival, Oscar Iván Zuluaga, the candidate representing Centro Democrático (CD), the party of former president Álvaro Uribe (2002-2010), saw his hopes of taking Santos to a second round dealt a blow by a tweet from a CD deputy-elect, María Fernanda Cabal, which seriously misjudged the public mood.

With just one month to go until presidential elections, incidents that might ordinarily have minimal impact are magnified in significance. If García Márquez had died two years ago and Cabal had tweeted a photo of him with Cuban leader Fidel Castro within hours of his passing on 17 April, saying that the two men would "soon be together in hell", the resulting public indignation would not have done any long-term damage to the CD. But, so close to the elections, the torrent of criticism of the tweet on social networks suggests it could well deprive Zuluaga of crucial votes needed to carry him to a run-off against President Santos.

Santos, meanwhile, declared three days of national mourning and flew to Mexico City for a memorial ceremony for García Márquez. "It's a privilege to call the man who imagined Macondo a compatriot," Santos said. "He is the Colombian that took the country's name highest and farthest [...] Thank you for reminding us that Colombia and Latin America are not, nor will they be, condemned to another 100 years of solitude, and that we can win, as we are winning, a second opportunity in our land." Mexico's President Enrique Peña Nieto also delivered a paean to García Márquez, who lived in Mexico for half a century.

**Strong reaction**

Senator Armando Benedetti, of the Partido de la U, part of the ruling coalition, launched a Twitter campaign (#LaPenitenciaDeCabal) against Cabal taking her seat in the lower chamber of congress on 20 July. Meanwhile, a lawyer, José Sierra, filed a suit before the supreme court against Cabal, who he accused of violating a law protecting against harassment for motives of race, religion, or political ideology. In Aracataca, the town in the northern department of Magdalena where García Márquez was born, the town council began moves to have Cabal declared *persona non grata*.

Cabal reacted to the criticism by digging herself a deeper hole; issuing an apology in the form of a statement laced with self-justification. Cabal acknowledged that her comments were "inopportune" but questioned "the way in which García Márquez and many other artists forget their social responsibility [...] supporting and promoting dictators who oppress their people". She went on: "Magical realism cannot cover the reality of all of those who live without a voice and everyday endure the abuses and excesses of dictatorships disguised as socialism..." She added that she always spoke "the truth, however uncomfortable or painful".

"If the photos of an illustrious personage who died were taken with dictators such as [Augusto] Pinochet, [Jorge] Videla or [Alfredo] Stroessner would there have been so many defenders?" Cabal asked rhetorically. "If I accept that I erred by flippantly using the word 'hell', which has been so widely repudiated, on the understanding that neither Castro nor García Márquez were believers, would the analogy be less reproachable?"

**Freedom of expression**

Despite his fierce criticism of the tweet by CD deputy-elect, María Fernanda Cabal, President Juan Manuel Santos rejected the lawsuit brought against her at the supreme court. He said he profoundly disagreed with there being any penal sentences for people expressing their opinion. Cabal herself said that the response to her tweet underscored that "freedom of expression in the Colombian media is a high-risk activity". She added that it should not be forgotten that dozens of journalists and intellectuals were still languishing in jails in Cuba for expressing their opinions.

## Sicad 2 comes down again

The Sicad 2 rate was trading at about BF49/US\$1 on 22 April.

Benedetti responded by saying that Cabal needed to apologise to all Colombians and not merely through a statement which showed no repentance as it contained entire paragraphs dedicated to seeking to justify her “horrifying comments”. Cabal expressed her confidence that her remarks would not compromise the CD still less harm Zuluaga’s presidential campaign but the very fact that she felt the need to allude to it suggests an underlying fear that it might.

Opinion polls suggest that Zuluaga is in a tight contest for second with Enrique Peñalosa, of the Alianza Verde, and this could be enough to push him into third. Not much was known about many of those elected on Uribe’s coattails for the CD in last month’s congressional elections, so Cabal’s tweet could also persuade the myriad undecided voters that the CD, for all that its very name is designed to denote centrist moderation, is right-wing and intolerant and, by attacking a national icon, whatever his political predilections, out of touch.

Santos sought to exploit the blunder. Characterising the CD as “far Right at root”, Santos described Cabal’s “deplorable” and “totally disrespectful” remarks as indicative of “the polarisation which has done so much damage to this country”. He added: “This is what we want to eradicate from the country, this hatred, this rancour, this polarisation. This is why I am determined to achieve peace.”

Santos went on to explain that 20 years ago he had “conspired, in the good sense of the word” with García Márquez to achieve peace. “He was obsessed by peace,” Santos said. “He would say ‘Colombia has lived through war for practically all of its existence. A Colombia in peace would be marvellous’”. This, of course, neatly, is precisely what Santos is promising to try and deliver if he is returned to office in next month’s elections.

## VENEZUELA | ECONOMY

### Foreign companies react to Sicad 2

**While operating in Venezuela has been a high-risk activity for many international companies for a number of years, the introduction of the Sicad 2 alternative foreign currency market has forced many of them to formalise exchange rate losses that were previously implicit.**

A number of multinationals have begun to write off exchange rate losses suffered by their Venezuelan subsidiaries. The process started with US car manufacturers. Ford said it would take a Venezuela-related charge of US\$350m in its 2014 first quarter accounts, while General Motors (GM) said it would be taking a pre-tax charge of US\$400m for the same reason.

In a filing to the US Securities and Exchange Commission (SEC), GM said it had previously valued the net assets of its Venezuelan subsidiaries at the official exchange rate of BF6.3/US\$1, but effective from 31 March was switching to the Sicad 1 rate (currently at around BF11/US\$1). However, there is doubt over whether foreign companies will get access to exchange at the Sicad 1 rate when desired (the government has been clear that certain sectors serving the domestic consumer market will be given preferential access), or whether they may, for example, be shunted off to the new and significantly less favourable Sicad 2 rate (which on 22 April was trading at about BF49/US\$1).

Earlier this year, Ford’s chief financial officer (CFO), Bob Shanks, admitted: “we’ve taken production way, way down in Venezuela because of a lack of dollars. We cannot get our money out. That market is basically on ice at the moment.” According to the main automotive association, Cámara



**Reserves stabilise  
at the  
US\$20bn mark**

International reserves held by Venezuela's central bank stood at US\$20.7bn on 16 April, down from US\$26bn a year earlier. Venezuela's oil has averaged US\$92.6/barrel (b) to date in 2014, down from US\$99.5/b in 2013 and US\$103.4/b in 2012. The central bank has not yet published trade data for the final quarter of 2013 or the first quarter of 2014. In the first three quarters of last year exports totalled US\$66.9bn and imports US\$43.7bn.

Automotriz de Venezuela (Cavenez), only 817 cars were sold in the country in February. "To give you an idea of how bad that is and how dollar and parts shortages are biting in combination with an incredibly overvalued Bolívar and a dollar shortage, in February of last year, 8,058 new cars were sold," noted Russ Dallen of Caracas Capital Markets.

Proctor & Gamble (US), Colgate-Palmolive (US) and Telefónica (Spain), have all said they will move to the Sicad 1 rate in accounting for their Venezuelan operations. So too has General Cable Corporation, the US-owned copper, aluminium and fibre optic products company, which said it "expects to record a charge in the range of US\$80m to US\$85m in the first quarter of 2014 results."

But Brink's, the US security and armoured car provider, said it was revaluing its Venezuelan assets at the Sicad 2 rate, because this was "the only rate at which Brink's has been able to successfully exchange its bolivars for US dollars". It noted that, if revalued at the Sicad 2 rate, its US\$447m in revenues from Venezuela in 2013 would have declined by 88% to approximately US\$56m. Following the news, the company's shares suffered their steepest drop in the last two years.

Coca-Cola also revalued at the Sicad 2 rate, a change that led to a US\$247m charge on its global first quarter accounts. There have been reports that other companies such as the US broadcaster, DirecTV, and the online auction site, MercadoLibre, may also be forced to move to Sicad 2. According to the financial newswire *Bloomberg*, rebasing its accounts at the Sicad 2 rate would reduce DirecTV's cash holdings by 26%, while earnings per share could drop by 9% to 11%.

Pedro Arnt, CFO at MercadoLibre, had said earlier in the year that "Our Venezuelan operation remains profitable and more importantly self-sustaining. We continue to manage our Venezuelan business for the long run, confident that in a more favourable future, our commitment to that market will offer the right returns." But analyst Yaron Reuven (of Reuven Capital Investments) insisted that the situation "is a much, much, worse scenario than the company is portraying. It's almost become the equivalent of subprime mortgages. You really didn't know what they were worth until it was already too late".

**New economic offensive**

President Nicolás Maduro has announced a three-pronged 'new economic offensive'. With legislative elections in late 2015 looming, the ruling Partido Socialista Unido de Venezuela (PSUV) urgently needs to get the economy back on an even keel.

President Maduro made the announcement following a meeting with the visiting Chinese foreign minister, Wang Yi. Details of that meeting were not released but as Venezuela's main creditor, and with a key interest in the country's oil sector, the Beijing government has previously expressed concerns – including in public – about the need for more "efficiency" in Venezuela's economic policy.

The three 'prongs' cited by Maduro were hardly groundbreaking: to reactivate domestic production; ensure the full supply of goods locally; and to achieve 'fair prices'.

Couched always in Revolutionary speak about the need to end 'the economic war' being waged against the country by 'parasitic capitalists', the cash-strapped Maduro government is getting a bit more pragmatic in its economic policy, most notably in dismantling a decade of exchange rate controls and in looking to mend fences with the private productive sector.

It is unclear how far Maduro will go in tweaking the existing, heavily statist framework. Official thinking still seems to be caught between two strands: one more dogmatic Marxist, set on a command-style economy; the other, more practical, flexible and motivated by political survival at all costs

## Profits

Bolivia's deputy minister for the budget and fiscal accountability, Jaime Durán Chuquimia, recently told reporters that profits from state companies reached B\$6.62bn (US\$959m) in 2013, up from US\$6.4bn (US\$932m) in 2012 and B\$69m (US\$9.9m) in 2005. He said that there were now 23 state companies up from six public companies in 2005. He said that the state-oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) accounted for an overwhelming 96.7% of the earnings, contributing B\$6.4bn in profits. This was followed by the state mining company, Corporación Minera de Bolivia (Comibol), B\$297m; the national electricity company Empresa Nacional de Electricidad (Ende), B\$187m; and the mining company, Metalúrgica Vinto, B\$34m.

## Two key deals but a new threat for Morales

President Evo Morales might well trumpet two recent deals ahead of his re-election bid this October: one with the mining cooperatives, *cooperativistas*, following recent deadly clashes over a proposed mining bill [WR-14-14]; and another with the main umbrella union, Central Obrera Boliviana (COB), over minimum wage increases. These have both provided sources of unrest for his Movimiento al Socialismo (MAS) government in recent years. However, while Morales remains clear favourite ahead of the vote, an unprecedented strike called by lesser ranking members of the military (FFAA), is proving an unexpected concern for his government.

On 21 April the MAS government and COB agreed a 10% general salary increase and 20% increase to the national minimum wage, bringing the latter to B\$1,400 (US\$203) a month up from B\$1,200 (US\$174) in 2013. While the government had initially offered increases of 7% and 10%, the final deal was much more in line with the 12% and 20% demanded by the COB which now seems to have abandoned its traditional fantastical call for a new monthly minimum wage of B\$8,300 (US\$1,199), based on its estimates of the cost of a basic basket of goods.

Flanked by his economy and labour ministers, Luis Arce and Daniel Santalla respectively, President Morales highlighted that the national minimum salary had increased by 173% since 2005, the year before he took office. He was also quick to note that the increase was significantly more than the 6.48% inflation rate registered in 2013 (up from 4.5% in 2012).

Morales said the salary increase was in line with his government's efforts to redistribute wealth – given that growth reached 6.4% in 2013 on the latest (January 2014) report by the Economic Commission for Latin America & the Caribbean (Eclac). The 2013 figure is the third highest in the region after Paraguay (13.0%) and Panama (7.5%). The same report projects 5.5% growth for Bolivia in 2014, second only to Panama (7.0%). Meanwhile, on 20 April, Bolivia's central bank announced that international reserves reached US\$14.4bn to 31 December 2013, up US\$503m on 2012.

As was the case with Morales' November 2013 decree establishing a second annual pay bonus whenever real annual GDP growth exceeds 4.5% [WR-13-48], private sector lobbies like the Confederación de Empresarios Privados de Bolivia (CEPB) were quick to slam the latest salary increase as electorally motivated. They complained that the private sector had been excluded from the talks.

These claims were not altogether unjustified given that Morales himself has admitted that the COB remains important to his bid for re-election. At the end of last month, he told reporters that COB would add an additional 10% to his vote; even without the COB's support he hopes to exceed the 64% with which he won re-election in 2009.

While the COB has been a traditional MAS ally, its differences with the government became pronounced during Morales' second term (which began in 2010) over issues like the government's failed attempt to scrap state fuel subsidies in December 2010 (the *gasolinazo*) and minimum salary increases. This disaffection culminated in the COB's January 2013 launch of a new party, Partido de los Trabajadores (PT). While the November 2013 decree appeared to have its desired aim of getting the COB back on side - the very next day, Trujillo announced the PT's dissolution - the union has been clear that this support is not unconditional (*see sidebar*).

## COB's demands

In an interview with national daily *La Razón* on 16 February, COB Secretary General Helmo Pérez said that the salary increase was one of four demands the COB had ahead of the election. Others include political participation (the COB is demanding unionist candidates be included on the MAS's slate); commitments vis-à-vis the productive sphere (the COB is calling for the re-activation of stalled mining projects as well as industrialisation plans in certain areas); and that the government address a shortage of housing for COB workers.

## Another deal

On the same day that Morales announced the wage increase, Interior Minister Carlos Romero unveiled a deal between the government and *cooperativistas*, grouped under the Federación de Cooperativas Mineras (Fencomin) in relation to the new mining bill. This followed a stand-off after the plurinational legislature's lower chamber, on 29 March, approved changes to the mining bill, drafted to replace the 1997 mining code approved under the administration led by Gonzalo Sánchez de Lozada (1993-1997; 2002-2003), which had triggered protests by Fencomin.

The *cooperativistas* had specifically objected to an amendment to article 151 of the proposed bill which had authorised cooperatives to sign mining contracts with private companies. The amendment struck this out on the grounds that it was unconstitutional, stipulating that only the Bolivian State was in fact authorised to sign contracts with private investors to exploit natural resources. This prompted protests from the *cooperativistas* which turned deadly [WR-14-14].

Under the deal reached on 21 April with *cooperativistas* (who number between 80,000 and 120,000 according to 2012 estimates), cooperatives can form mixed companies with the state mining company, Corporación Minera de Bolivia (Comibol), but not with either foreign or local private companies. While the government has yet to clarify whether it will make good its proposal to redraw the mining bill (itself three years in the pipeline), the agreement is a welcome solution to the dispute for the government, particularly given threats by Fencomin's leader Alejandro Santos, that "just as we brought Evo to power, so can we remove him".

## Another cloud

While both deals will be crucial in terms of ensuring support from the MAS's traditional support base ahead of October elections, the threat of unrest from the military could provide a further test for Morales. The "indefinite strike" was announced on 21 April by the president of Bolivia's national association of non-commissioned officers and sergeants of the armed forces (ASCINASS), NCO Johnny Gil Leniz. It was triggered by the decision announced the previous day by Defence Minister Rubén Saavedra to fire four NCOs who had been calling for internal reform of the armed forces (FFAA) – the first such demands to take place under Morales.

The sacked officials (two air force officials, one army official and a naval officer), had presented a proposal on 3 April citing the need to address "discrimination within the FFAA". Among other things, the proposal calls for NCOs to be allowed the same educational opportunities as their seniors and for the ranks of NCO and sergeant to be replaced with the position of "technical officer". As well as the four sacked officials, more than 50 students from the military engineering school and the technical aviation school were expelled for attending a meeting about the initiative.

While Saavedra is downplaying the threat of unrest, highlighting that just 500 of the 10,000 NCOs took part in the protests on 22 April, the government has said that it is open to negotiation. At the time of writing, however, this had yet to produce any concrete result.

Morales is also clearly not taking any chances that the unrest could spread to the police, which in 2012 staged revolts to demand better wages and conditions [WR-12-25]. On 22 April the government announced a deal with the national police association (ANSSCLAPOL) to increase daily food expenses for police officers to B\$7 (US\$1), up from B\$4.50 (US\$0.65).

## Opposition forces unite in show of unity

It is rare in the history of electoral campaigning, particularly in Latin America, to launch a political project without speeches from any of the main actors. Yet this is how the opposition Frente Amplio-Unen coalition started life, in a somewhat bizarre show of unity at a theatre in Buenos Aires. None of the leaders of the eight, predominantly left-wing, parties gave a speech. Instead, the actor, Luis Brandoni, read out the text of the coalition's political platform which stressed such shared values as "the pursuit of freedom and equality" and a "strong yet efficient state". With organisers fearing to jeopardise the coalition's fragile unity by allowing speeches, the question remains whether this alliance can hold until the elections in October 2015. Already, there are strong differences over whether the grouping should seek to include Mauricio Macri, the right-wing mayor of Buenos Aires, to bolster its efforts to defeat Peronism.

Among those who took to the stage on 22 April were Hermes Binner, Partido Socialista-Frente Amplio Progresista (PS-FAP); Elisa Carrió, Coalición Cívica (CC); Roy Cortina, Partido Socialista (PS), Fernando "Pino" Solanas (Proyecto Sur), Ernesto Sanz and Julio Cobos, Unión Cívica Radical (UCR), Margarita Stolbizer, Generación para un Encuentro Nacional (GEN), and Victoria Donda (Libres del Sur). The joint manifesto commits the alliance to pass a tax reform that would include "a tax on (financial) speculation"; and to guarantee judicial independence, one of the main criticisms of the non-Peronist front towards the administration of President Cristina Fernández. It also contained a scathing criticism of the Kirchnerista "authoritarian model" which had led to "corruption, crony capitalism and economic underdevelopment."

Binner ran for president in 2011, coming second to Fernández with 17% of the vote. Cobos, Fernández's former vice-president and a K-Radical now back with the UCR, is another likely presidential contender, as is Solanas, a film director and self-proclaimed 'progressive' left-winger. The presidential candidate, as well as all other Frente Amplio-Unen candidates at regional and district level, will be chosen via primaries.

Longstanding resentments and disagreements persist between a number of the coalition's leaders, but the first real test will be whether to invite Macri, of the Propuesta Republicana (PRO), to join the alliance. Whereas Cobos, Sanz and Carrió have talked up the possibility of reaching out to Macri, the other leaders, of a more left-wing hue, are against the idea. Stolbizer said, "Macri can and should lead the renewal of the political forces of the centre-right and we should lead the renewal of the centre-left." She added that thinking about the possibility of an alliance with the PRO causes "confusion and a sense of disillusionment". Solanas also made clear his opposition to such a union. Binner, a wily politician who has also maintained good links with the Right, was characteristically evasive on the issue, but said that the current coalition was bound by a sense of "ideological commonality".

### Government dismisses new alliance

The government responded to the performance with a high degree of disdain. Jorge Capitanich, the cabinet chief, said its leaders were experienced only in "hyperinflation, drug-trafficking scandals and political betrayal". Capitanich's remarks contrasted somewhat with the more emollient comments made by President Fernández on 21 April. She said that her aim for her final 18 months in office was to "hand over a better country than the one we received" to her successor.

### Three-finger salute

In order to differentiate themselves from the Kirchneristas, the representatives of the Frente-Amplio-Unen alliance have pioneered a three-fingered salute, which debuted at the launch of their event on 22 April. Kirchneristas tend to favour the two-fingered 'V' sign.



### Stadium fears

On his latest visit to Brazil, Fifa's secretary general, Jerome Valcke, said São Paulo's Itaquerao stadium, due to host the opening match between Brazil and Croatia, would be ready, but only at the last minute. Other completed stadiums have had a number of teething problems in their first few weeks of operations, such as a lack of running water. Itaquerao will not have the luxury of a trial run.

At an event to inaugurate new train cars on 23 April, Fernández's speech was more wistful than belligerent. "It is difficult to rule a country – a beautiful, complex country – that has a lot of contradictions," she said. "What happened with the thriving Argentina that produced trains, engines, planes; that produced sophisticated missiles, trucks? It was devastated with mirrors and beads, with speeches." This new melancholic attitude suggests that an orderly transition to a non-Kirchnerista administration in 2015 may be possible.

## BRAZIL | SECURITY

### Getting jittery

The body of Douglas Rafael Da Silva Pereira, a dancer from the Pavão-Pavãozinho *favela* of Rio de Janeiro, was found in a school building on the afternoon of 22 April. Initial police reports claimed there were no marks on his body and he appeared to have died after a fall. Residents of the *favela*, located between Copacabana and Ipanema, refused to believe the official version of his death. Later in the evening a riot broke out, resulting in an exchange of gunfire between police and residents of the pacified *favela*. One man was killed in the crossfire.

With 50 days to go until the Fifa World Cup the news of a shoot-out in the streets of the most famous neighbourhood in Brazil is bad news for a state and federal government desperately hoping to dispel the city's reputation for violence. The latest fatality will only add to the increasing criticism of pacification, amid signs that its efficacy is starting to falter.

Statistics produced in March by Rio's institute for public safety show a 21% increase in robberies in the city in the second half of 2013 on the previous year. During that period 700 crimes were reported per 100,000 residents. Although that is still off pre-pacification levels of 800 or so between 2007 and 2009, it represents a sharp rise from the 2012 low of 600 per 100,000. Homicides were also up 16.7% in 2013 on the year before.

### Pacification going through crisis

Douglas appears to be the latest high-profile victim of police violence, following the death of Claudia da Silva Ferreira, a hospital cleaner who was shot, then dragged behind the back of a police car; and Amarildo da Souza, a bricklayer whose body was never found, but whose disappearance resulted in the arrest and preventative detention of 25 police officers from the police pacification unit (UPP) in Rio's largest *favela*, Rocinha. On the other side of the equation, almost the same number of police officers has been killed in the city so far this year as in the whole of 2013.

Ignacio Cano, the co-ordinator of the laboratory for the analysis of violence at the Universidade do Estado do Rio de Janeiro (UERJ), argues that the reduction in violence from 2007 was a result of the introduction of police targets, the installations of UPPs and the creation of a new state homicide unit. But he says that both of those policies have run out of steam. "These policies were just left on automatic pilot. There was a naïve belief that the simple continuation of these polices would continue to bring down the violence, but that turned out not to be true."

Other factors have also played a part. The major demonstrations in the city last year also diverted a lot of the attention of the state security forces. In the run-up to the World Cup, major demonstrations appear to be the main concern of the local authorities, rather than violence in the *favelas*.

## Refugees

Statistics published on 24 April show Brazil hosts 5,208 people seeking refugee status. Half of them are Colombian or Angolan. Requests for asylum in Brazil have grown exponentially in the last few years. In 2013, 5,256 people requested asylum; in 2010, that number was just 126.

## Meanwhile, in Bahia

The level of national and international attention on Rio means that the state is likely to get all the help it needs to ensure no major incident happens during the tournament. With Salvador, also a World Cup host city, the resources may not be so ample, and the problem of violence there is considerably worse. On 16 April, President Dilma Rousseff dispatched federal troops to Bahia following the start of an indefinite strike by the military police in the state. The homicide rate in the state rose 339% from 2000 to 2010, making it one of the most dangerous states in the country.

Eventually, the strike came to an end when the police accepted an improved pay offer, with the minimum salary increase worth 25%. State officials said that 39 people had been killed during the 48-hour walk-out. Shops and supermarkets were looted, while schools, universities and many businesses closed during the strike. The Brazilian constitution prohibits military police from striking, but in practice police officers have been willing to risk arrests or fines over pay disputes.

## BRAZIL | POLITICS & JUSTICE

### Supreme court limits inquiry to Petrobras

The ruling Partido dos Trabalhadores (PT) is running out of stalling tactics to prevent a full congressional inquiry (CPI) into mismanagement and corruption at the state-run oil company, Petrobras. On 23 April the supreme court judge, Rosa Weber, decided to limit the CPI to Petrobras, rejecting the government's request that the inquiry be widened to include an investigation into the São Paulo metro and the port of Suape in the state of Pernambuco. The rest of the supreme court has to approve Weber's decision and the government can still appeal it; the opposition wants the CPI to begin immediately.

Widening the inquiry would have had two effects. Principally, it would have made any investigation so onerous on the investigators that they would have been unlikely to find much new information. Secondly, it could also have damaged President Dilma Rousseff's main rivals. Aécio Neves' party, the Partido da Social Democracia Brasileiro (PSDB), would have faced questions over the metro; Eduardo Campos' Partido Socialista Brasileiro (PSB) over Suape. With few parliamentary days left until the start of the World Cup, the government will be hoping to stall the inquiry for as long as possible, but the danger is that it could be approved during the run-up to the election in October.

President Rousseff is under fire over her handling of Petrobras' purchase of a refinery in Pasadena, Texas, in 2006. Petrobras paid massively over the odds; Rousseff on the oil company's advisory board approved the deal. In justification Rousseff has said her decision was based on incomplete information. Closer scrutiny of the deal is likely to jeopardise the president's reputation for managerial competence. The CEO of Petrobras at the time of the deal, José Sergio Gabrielli, told *O Estado de São Paulo* last week that both he and Rousseff were responsible for the purchase, and she should shoulder her part of the blame. Once seen as the star at the centre of Brazil's rise to become a major oil exporter, Petrobras is today the world's most indebted oil company and has lost half of its market value in Rousseff's three years in office.

### Operation 'Lava Jato' steps up a gear

Formal charges have now been filed against Alberto Yousseff, the financier, and six others accused of laundering R\$10bn (US\$4.5bn). Already there is evidence Yousseff laundered some of the money by funnelling it into political parties' election campaigns. Meanwhile Paulo Roberto Costa, the former

## Venezuelan ambassador

President Michelle Bachelet has appointed Pedro Ramírez Ceballo, a former minister in the government of Salvador Allende (1970-1973), as Chile's new ambassador to Venezuela. Ceballo went into exile in Venezuela during the subsequent military dictatorship of Augusto Pinochet (1973-1990) where he was a professor and investigator at the Centro de Estudios del Desarrollo (Cendes) of the Universidad Central. Ceballo was a co-founder of the Partido por la Democracia (PPD), a key party within Bachelet's Nueva Mayoría coalition.

head of refining and supply at Petrobras, has been charged with impeding police investigation. As yet no formal charges have been filed against him over his relationship with Yousseff, though the police believe that the two men collaborated to demand payments from companies wishing to secure a contract with Petrobras.

### Marco Civil becomes law; debate not over

President Dilma Rousseff opened NETMundial, the global conference on internet governance in São Paulo, by signing into law the Marco Civil, a civil rights' framework for the internet. While internet activists have hailed the move, there are concerns that there may be more leeway than intended in one of the law's key provisions: net neutrality.

On 24 April, Alessandro Molon, the PT deputy largely responsible for pushing the bill through congress, denied claims by telecoms companies that they would be able to charge customers different amounts for different types of content. According to Molon, the telecoms companies cannot sell faster speeds to customers who wished to access specific websites, such as the film and TV-streaming website, Netflix, for example. But the telecoms companies argue that according to the wording of the text approved, they can do that as long as they make the same service available for everyone. Meanwhile, internet rights' activists have complained that the provision in the law that obliges Internet Service Providers to store user data for six months after its generation compromises privacy.

## CHILE-BOLIVIA | DIPLOMACY

### Muñoz rebukes Morales over Pacific case

The prospect of diplomatic relations between Chile and Bolivia improving with the advent of a new government in Santiago was dealt a blow last week. Chile's new foreign minister, Heraldo Muñoz, described the decision by Bolivia's President Evo Morales to set a precedent on 16 April by travelling in person to the International Court of Justice (ICJ) at The Hague to submit legal documents pertaining to Bolivia's claim to regain access to the sea lost to Chile in the 1879-1893 War of the Pacific, as a political stunt. Muñoz accused the Morales administration of covering up the "lack of legal substance to its case" with political-media spin.

President Morales' trip to The Hague comes just under a year after his government filed its lawsuit before the ICJ, which could take several years to deliver its ruling. In an interview with the Chilean daily *La Tercera*, on 19 April, Muñoz accused Morales of politicking, especially given the proximity of his bid for re-election in October's general elections.

Muñoz did say that the new government of President Michelle Bachelet was prepared to resume the 13-point bilateral agenda which it pursued with Bolivia during Bachelet's first administration (2006-2010), after which relations took a turn for the worse under Sebastián Piñera (2010-2014). However Bachelet's retention of Piñera's choice of Felipe Bulnes, his former education minister, as Chile's representative in the ICJ case has been widely interpreted as a sign that the Chilean government's strategy is unlikely to change.

### Expatriates given the vote

Chile's congress has approved a law allowing expatriates to vote in national elections, concluding a debate which has dragged on for more than 20 years in congress since the fall of the dictatorship of Augusto Pinochet (1973-1990). The chamber of deputies voted by 84 votes to 25 to approve the law, and the senate followed suit by 28 votes to five to amend the constitution. Chileans living abroad must inform a consulate of their desire to vote in order to obtain a permanent right to vote in future in presidential elections, national primary elections and national plebiscites. They will not be permitted to vote in mayoral or legislative elections, as these are not national electoral contests.

**Porteiro's 'Ferrari'**

On 22 April the newly appointed president of Uruguay's state-controlled Banco de la República Oriental del Uruguay (Brou), Julio César Porteiro, said that in his view President José Mujica had put him put in charge of a "Ferrari". Porteiro's comments came after he officially took over control of the Brou, one of the country's leading banks, the previous day. They are a reference to his 2002 appointment as president of the partly state-owned Nuevo Banco Comercial, created in the wake of the 2001-2002 financial crisis from the remnants of a number of local bankrupt banks. Back then Porteiro candidly said that he was aware that he had been put in charge of a 'Frankenstein bank' that would be difficult to manage.

**ARGENTINA-PARAGUAY | Yacyretá negotiations.** On 21 April Paraguay's foreign ministry announced that the Paraguayan and Argentine governments had agreed to begin reviewing the terms of the treaty governing the Yacyretá bi-national hydroelectric dam shared by the two countries.

For years, Paraguay has complained that the terms of the 1974 treaty under which Paraguay agreed to re-pay Argentina for the loans it took out to build Yacyretá and under which the partners are forced to sell any excess energy produced at the plant to each other at pre-set concessionary (below market) prices, are detrimental to the country.

Paraguay sells the majority of its share of the energy produced at Yacyretá back to Argentina (94.3% of all energy produced by Yacyretá is now consumed by Argentina, accounting for 20% of the country's electric energy demand). Yet Argentina reckons that Paraguay still owes it some US\$11bn (US\$6.4bn principle plus interest) for the construction of the dam. Successive Paraguayan governments have rejected this, arguing this would not be the case if Argentina were to accept the selling of Paraguay's excess Yacyretá energy as repayment. Thus in 2012 Paraguay announced that it considered the debt to have been fully serviced and threatened to stop paying the annual interest charges (US\$1bn) on the debt. But this view is not shared by Argentina and the issue has become a sore point in bilateral relations.

Since then Paraguay has been impatiently waiting for the treaty's 40th anniversary (marked on 27 March), when reviewing the treaty became an option, to present its case. This is now set to take place next month after a delegation led by Argentina's foreign minister, Héctor Timerman, visited Asunción to go over the bilateral agenda. Afterwards Paraguay's foreign ministry released a statement saying that the two governments had agreed to launch the Yacyretá treaty review process during a meeting between Paraguay's foreign minister, Eladio Loizaga, and Argentina's planning minister, Julio de Vido, in the "second half of May" at the Yacyretá plant.

**PARAGUAY | Record foreign reserves.** Paraguay's central bank (BCP) revealed last week that the country's foreign reserves had increased by US\$267m in the first three months of the year, taking the total figure to a new record of US\$6.14bn. Paraguay's foreign reserves have been growing consistently since 2010, when they stood at US\$4.16bn, on the back of solid economic growth and an overall increase in levels of national savings.

Rafael Lara, a member of the BCP's board of directors, said that the "dynamic" increase in foreign reserves observed in the first quarter of the year was primarily driven by higher levels of deposits made in the local banking system. More deposits in the domestic banking system translate into increased levels of reserves via the reserve requirement mechanism by which a portion of all banking deposits are held by the BCP. According to Lara, BCP data shows that total bank deposits in February (the last month for which full figures are currently available) stood at US\$12.44bn, 22% more than in the same month last year.

Given that Paraguay's economy is expected to continue growing strongly in the next couple of years - in its latest World Economic Outlook (WEO) report the International Monetary Fund (IMF) forecast growth rates of 4.8% for this year (the third highest in South America) and 4.5% for 2015 - it is likely that the country's foreign reserves will continue to grow, providing an insurance policy against any external shocks for the government of President Horacio Cartes.

**CHILE | Hong Kong bond issue.** On 16 April Banco de Chile, the country's second largest commercial bank, announced that it had raised US\$77m in bonds issued in the Hong Kong market. This is the fifth issue that the bank has carried out in Hong Kong, where it has succeeded in raising some US\$421m to date.

Banco de Chile's treasury director, Sergio Karlezi, said that the five-year bonds offered a yield of 3.08%, similar to the bank's previous international bond issues. Karlezi added that the funds raised through the operation will allow the bank to continue expanding over the next couple of years and consolidate its presence in new markets as "the bank continues with its policy of diversifying sources of funding". In recent years Banco de Chile has issued bonds in financial markets in Switzerland, Japan, the US, Mexico and Peru.



**Peña Nieto files lawsuit against states****Peña Nieto's reputation**

While improving education standards in Mexico is the motivating factor behind President Enrique Peña Nieto's decision to turn to the supreme court over the implementation of his education reform by four states, he will also be acutely aware that his reputation for modernising Mexico could be fatally undermined if it becomes apparent that the first of his sweeping reforms, while impressive on paper, has amounted to little in practice.

President Enrique Peña Nieto has filed four constitutional complaints against the states of Chiapas, Michoacán, Oaxaca and Sonora before the supreme court of justice (SCJN) for failing to harmonise state education laws with the education reform promulgated by his government in February 2013. Winning approval for his education reform was always going to be easier than implementing it for Peña Nieto, but having faced down protesters for months on end in Mexico City, he is not going to allow states to dilute the reform through re-interpretation, or simply ignoring aspects of it they dislike.

The legal suit filed by President Peña Nieto before the SCJN accuses the Oaxaca state government of failing to adopt the precepts of the education reform in its legislation by the deadline of 12 March, and refusing to implement secondary legislation creating a professional teaching service, which requires teachers to be assessed in order to be appointed and continuously evaluated in order to retain their positions.

These performance appraisals are the aspect of the reform most vigorously opposed by the Coordinadora Nacional de los Trabajadores de la Educación (CNTE), Mexico's second largest teachers' union which organised disruptive protests in Mexico City against the education reform for weeks on end last August.

The CNTE is entrenched in poorer Mexican states, and Oaxaca is the union's stronghold. A teacher's post here is coveted and associated privileges jealously guarded. This has led to practices such as hereditary posts or allowing retiring teachers to sell their positions; practices which still take place and which the Peña Nieto administration is determined to eradicate through the professional teaching service. The Oaxaca state government approved a request by the CNTE to allow union delegates to evaluate teachers instead of professionals appointed by the federal government, a sure-fire way to ensure the preservation of the current corrupt system.

The CNTE also has a strong presence in Chiapas and Michoacán, which together with Sonora are being accused by the federal government of preventing the education ministry from regulating food and drinks made available at schools, part of the government's much-publicised fight against obesity. While these three states have changed their laws they have also allowed teacher performance appraisals to be performed by union delegates.

The SCJN must rule whether to compel the four states to comply with the education reform promulgated by the federal government to the letter and adjust their laws accordingly, or whether to uphold their right to place their own interpretation on the reform.

There is an enormous amount at stake. The Peña Nieto administration sees the professional teaching service as one of the most important aspects of its reform to improve the standard of teaching in Mexico and the country's abysmal international standing in, for instance, the Organisation for Economic Co-operation and Development (OECD)'s Programme for International Student Assessment (PISA): Mexico came last of the 34 OECD members and 53rd out of a total of 65 nations assessed in a 2012 evaluation of maths, reading and science, albeit only Chile (by a whisker) fared better of the eight Latin American countries included.

## Security strategy under the spotlight

### Finding 'La Tuta'

The army and federal police joined 'self-defence' groups in entering the municipality of Arteaga on 22 April, after initially having their entrance blocked by a cordon formed by 400 local residents. The leader of Los Caballeros Templarios, Servando 'La Tuta' Gómez Martínez, hails from Arteaga and it is believed to be a possible hideout for him. Vigilante leader Estanislao Beltrán said the combined federal forces and 'self-defence' groups had also entered Tumbiscatío, Las Cañas and Infiernillo, adding that they were closing in on 'La Tuta'.

The arrest of a leading drug trafficker and a prominent mayor in recent days raised intriguing questions about the focus of the federal government's security strategy in its struggle against organised crime. The capture of the second-in-command of the Beltrán Leyva drug-trafficking organisation (DTO), followed by eye-catching remarks by the country's foreign minister, suggests that the 'kingpin strategy' of President Enrique Peña Nieto's predecessor Felipe Calderón (2006-2012) is very much alive and kicking. The arrest of a mayor belonging to the ruling Partido Revolucionario Institucional (PRI) in the troubled western state of Michoacán, meanwhile, was part of a concerted effort by the federal government to remove any excuses 'self-defence' groups might have for failing to meet a 10 May deadline to 'disband' and enrol in legitimate rural defence corps.

Arnoldo Villa Sánchez, or Erick René Calderón Sánchez, the head of security for Héctor Beltrán Leyva and considered to be his number two, was arrested by the federal police (PF) along with his bodyguard in the Distrito Federal on 16 April after an eight-month investigation. Despite criticism of Calderón's decapitation or 'kingpin strategy' for encouraging the emergence of splinter groups more dedicated to crimes such as extortion and kidnapping, President Peña Nieto appears to have stuck with it.

Villa Sánchez is the latest in a growing line of kingpins to be arrested under Peña Nieto, the most prized of which was the head of the Sinaloa DTO Joaquín 'El Chapo' Guzmán in February. In an interview with the national daily *El Universal*, on 21 April, Foreign Minister José Antonio Meade Kuribreña went as far as to say that, along with strengthening institutions and creating the conditions for peace, the capture of drug-trafficking capos helped to project a better image of Mexico in the international arena.

Meade, it is perhaps worth noting, is the one minister who served in Calderón's cabinet to be kept on by Peña Nieto, but his comments were still striking. Peña Nieto heaped criticism on Calderón's kingpin strategy precisely because he considered it all image and no substance, while the crimes that really affected ordinary Mexicans, such as kidnapping and extortion, continued unabated. Peña Nieto promised to redress this but while homicides have fallen, both kidnappings and extortion have increased since he came to power in December 2012, as a report entitled 'Drug Violence in Mexico', released on 15 April by the University of San Diego, confirms.

The day before Villa Sánchez was captured, the PRI mayor of Apatzingán, Uriel Chávez Mendoza, was arrested on suspicion of links to the DTO Los Caballeros Templarios (LCT). The arrest follows that of the PRI interior minister of Michoacán, José Jesús Reyna García [WR-14-14], and was designed to reassure 'self-defence' groups that the federal government will stop at nothing to restore security to the state, as it tries to enforce the 10 May deadline for the vigilantes to join rural defence corps. The 'self-defence' groups have long complained, increasingly stridently since marching into Apatzingán last February backed by the military and the PF that Chávez Mendoza collaborated with the LCT.

Another incident in Michoacán this week should have assuaged concerns among 'self-defence' groups that the federal government might not uphold its side of the bargain to wind up LCT if they disband. It took place in the town of Huetamo, bordering the state of Guerrero, on 21 April. Dozens of LCT members attempting to pass themselves off as members of the 'self-defence' group under Estanislao Beltrán, entered Huetamo, apparently intent on killing Beltrán. They were recognised as members of the DTO, however, and clashes ensued with vigilantes. The army arrived swiftly after being made aware of the clashes and arrested 44 alleged members of LCT.

## IFT sets minimum TV auction price

On 16 April Mexico's newly created telecommunications sector regulator, Instituto Federal de Telecomunicaciones (IFT), announced that it had decided to establish a minimum bid of M\$830m (US\$63m) for any party interested in taking part in the auction of two new TV channel frequencies that is scheduled to take place next year as per the telecommunications reform approved in 2013. An IFT statement said that the minimum bid had been determined using "economic efficiency criteria, as well as entry barriers and other existing characteristics of the free-to-air TV market". The statement added that parties interested in taking part in the auction will also be asked to provide a M\$415m (US\$34m) bid bond.

## Pemex presents vision of the future

Mexico's state-owned oil firm, *Petróleos Mexicanos (Pemex)*, opened the 2014 edition of its *Expo Foro Pemex* energy sector conference on 22 April, promising to present its vision of the sector's future in the face of the energy reform driven by the government of President Enrique Peña. This is the second year that Pemex has organised the *Expo Foro*, which it describes as a "forum designed to bring together those responsible for Pemex's development and representatives from national and foreign firms [...] to facilitate [the sector's] integration". But given that last year congress approved a reform allowing for increased private participation in the state-controlled energy sector, and that its implementation is imminent pending the approval of accompanying secondary legislation, the level of interest in this year's conference (which concludes on 24 April) is much higher.

The opening speech of the conference was made by Pemex's CEO, Emilio Lozoya Austin. Pointing out that the reform's ultimate goal is to turn Pemex into a "competitive state-owned firm over the next two years", Lozoya said that Pemex's objective now is to seek associations and strategic alliances with national and foreign firms to "promote synergies between *Petróleos Mexicanos* and its suppliers, contractors, partners and technicians [...] so that the firm can compete across the entire oil industry value chain". Lozoya said that the purpose of this year's conference was to present the potential areas in which interested parties could look to associate themselves with Pemex, which go "from exploration and upstream crude oil production to retail fuel distribution, as well as refining, hydrocarbon transportation and petrochemistry".

Lozoya concluded his speech by stating that he was sure that the conference would "produce ideas that will enrich the transformation process we are currently embarked upon". Over 200 energy sector firms are taking part in the *Expo Foro*. Among these are the French energy firms, Total and GDF, which on 10 April signed respective memorandums of understanding to exchange technology linked to the production of conventional hydrocarbons and for exploring future joint business opportunities in the area of unconventional hydrocarbon production with Pemex. The signing of the memorandums took place during the recent visit to Mexico by France's President François Hollande [WR-14-15].

## TRACKING TRENDS

**MEXICO | Building more gas pipelines.** On 22 April the state-owned electricity company (CFE), announced that in coordination with the energy ministry it will launch a public tender process for the construction of five new gas pipelines across the country, a US\$2.25bn investment project, in the next few days. The announcement was made by CFE general director, Sergio Ochoa, during an energy & gas forum in Mexico City. According to Ochoa, the pipelines will form a new network linking the central state of Durango to the northern states of Chihuahua and Sonora and to the US states of Texas and Arizona. Ochoa explained that this was part of the Mexican government's efforts to improve Mexico's energy integration with the US and the reliability of the country's natural gas transportation system so as to promote the increased use of the cheap and clean-burning fuel.

Last month, the Mexican government announced the start of the construction of a new pipeline designed to allow the state-owned oil firm, Pemex, to import larger volumes of natural gas from the US and to take full advantage of the record low natural gas prices in the US market [WR-14-13]. Significantly, Ochoa also noted that the CFE's involvement in the tender process answered to the fact that as part of the energy sector reform approved last year the CFE will not just be in charge of electricity generation and distribution but also, for the first time, will be allowed to act as a natural gas supplier to consumers in order to turn the CFE into a more profitable business. The new gas pipeline network will provide the CFE with the infrastructure necessary to provide natural gas to a larger number of consumers in central and northern Mexico. It could also eventually allow Mexico and the CFE to export natural gas. Another declared objective of the energy reform is to increase Mexico's national natural gas production from the current 5.7bn cubic feet per day to 10.4bn cubic feet per day by 2025, turning Mexico from a net natural gas importer to a net exporter.



### Quotes of the week

“For us, for Colombians, Gabo did not invent magical realism so much as he was the best exponent of a country which is, in itself, magical realism.”

- *Colombia's President Juan Manuel Santos on the passing of Gabriel García Márquez.*

“The PAN agenda has advanced more in the 12 months since we left power than in the 12 years we governed. In 12 months we managed to place more depth charges.”

- *Campaigning for re-election as Partido Acción Nacional (PAN) party president, Mexico's Gustavo Madero justifies his embrace of the cross-party 'Pact for Mexico'.*

“Chile will not let itself be pressured in this sensitive matter. Regrettably the path Bolivia has chosen is potentially long, onerous and unproductive.”

- *Chile's foreign minister Heraldo Muñoz responds to Bolivia's decision to turn to The Hague to try and regain its Pacific coastline.*

**Maritime dispute resolved without recourse to the ICJ**  
Ecuador and Costa Rica have signed an agreement demarcating their maritime border after 29 years of talks. Given that virtually every border dispute in Latin America at the moment seems to be heading to the International Court of Justice (ICJ) at The Hague (two involving Costa Rica and Nicaragua), it is a noteworthy achievement that the two countries were able to resolve this dispute patiently at a bilateral diplomatic level.

The foreign ministers of Ecuador and Costa Rica, Ricardo Patiño and Enrique Castillo respectively, signed the maritime treaty on 21 April in Quito. Specialised technical teams established geodesic lines using the precise coordinates and base points in accordance with the norms and principles established in the United Nations Convention on the Law of the Sea (UNCLOS). This involved identifying overlapping maritime areas that project to 200 nautical miles from Ecuador's Islas Galápagos and Costa Rica's Isla del Coco which are 391 nautical miles (726km) apart.

Patiño celebrated the fact that the accord means that Ecuador has now defined all of its land and maritime borders with neighbouring countries, “a process which began when the independent republic was born, and which has not been without conflicts, difficulties and frustrations”. Castillo, in what could be interpreted as a swipe at Nicaragua, praised the signing of the treaty through which, he maintained, “Ecuador and Costa Rica have shown to our region and the world that it is possible, through dialogue and peaceful means, to reassert sovereign rights while building greater opportunities for cooperation and brotherhood”.

Ecuador's President Rafael Correa was not present for the signing of the treaty, having embarked on a five-day visit to Spain this week, which began in Catalonia, where he received an honorary doctorate from the Universitat de Barcelona (UB) for his commitment to education excellence. Investment in education in Ecuador has tripled since Correa came to power from US\$1.08bn in 2006 to US\$3.29bn in 2013. Shortly before leaving for Spain, Correa inaugurated a university dedicated to teacher training, Universidad Nacional de Educación (UNAE), in Azogues, the capital of the south-central province of Cañar.

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