

# latin american weekly report

31 July 2014, WR-14-30

ISSN 0143-5280

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

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## Obama gets Central American leaders to OK repatriation agenda

US President Barack Obama got the presidents of Central America's Northern Triangle — Salvador Sánchez Ceren of El Salvador, Otto Pérez Molina of Guatemala and Juan Orlando Hernández of Honduras — to sign up to his agenda for dealing with the surge of unaccompanied minors entering the US over the past couple of years. He did not offer much in return, mainly because he does not know how much emergency funding the Congress will approve, and to what extent he can go ahead on the strength of executive orders without paying a high political price.

After a 90-minute exchange in the White House's Cabinet Room on 25 July, Obama and his three guests issued a joint statement in which they agreed to:

- "Prevent families and children from undertaking [the] dangerous journey [to the US]."
- "Work together to promote safe, legal, and orderly migration."
- "Continue to pursue the criminal networks that are exploiting this uniquely vulnerable population."
- "Discourage the use of smuggling networks that place individuals at high risk of violent crime and sexual abuse along the journey."
- "Redouble our joint efforts to counter misinformation about US immigration policy."
- "Work together on the ongoing efforts to humanely repatriate migrants."
- "Work together in a spirit of shared responsibility to address the underlying causes of migration by reducing criminal activity and promoting greater social and economic opportunity."

Hernández had been insisting publicly in Washington before the meeting that the "shared responsibility" should be "differentiated" — meaning that the US should shoulder a greater share of the effort. "If this is not acknowledged," he said, "a great injustice is being committed against our peoples and against humanity." Immediately after the meeting he returned to this theme, saying, "Washington must understand that if you have a Central America with violence because of the crime of drug trafficking, a Central America without opportunities, without growth in the economy, it is always going to be a problem for the United States."

Pérez Molina had put a figure on what he believed the US share should be: "10% of the US\$2bn the US is spending on the security of its southern

“Border Patrol statistics show the number of UACs apprehended in the first nine months of fiscal year 2014 (October-June) rising to 57,525, 106% more than in the comparable period of FY2013.”

border.” He noted that since 2008 the US had put US\$642m into the Central America Regional Security Initiative (Carsi) and it had “practically failed”. He had also come with a specific request: Temporary Protected Status (TPS) for the estimated 1.8m Guatemalans in the US, of whom about 60% are there illegally. [It is worth noting that the TPS enjoyed by Hondurans (since 1999) and Salvadoreans (since 2001) expire next year.] The Guatemalan president did not get a reply on either request.

As to the funding, in July Obama had requested from Congress an emergency package of just under US\$3.7bn, of which 8% was earmarked for Central America to handle the repatriation of migrants and tackle the root causes of the exodus. The rest was to be allocated to detention and removal programmes, caring for the children while in the US, increasing the capabilities of immigration courts and beefing up the Border Patrol and security.

After his meeting with the Central American presidents Obama urged Congress to postpone its August recess in order to push through the emergency package. It has been reported that Republican legislators have been working on an alternative totalling less than US\$1.5bn, while their Democrat counterparts are considering one closer to Obama’s request.

Obama did say that his government was studying a limited refugee programme which would allow applications to be filed from the countries of origin. “There may be,” he said, “some narrow circumstances in which there is humanitarian or refugee status that a family might be eligible for. If that were the case, it would be better for them to be able to apply in-country rather than face a very dangerous journey all the way up to Texas to make those same claims.”

In the days before the White House meeting, the emphasis of Obama’s agenda became quite clear. On 22 July, Homeland Security Secretary Jeh Johnson announced that in its first month Operation Coyote had led to the arrest of 192 people smugglers and associates — an interesting development since a report by the El Paso Intelligence Center (Epic) leaked in late June had said, in a section entitled *Intelligence Gaps*, “Epic lacks robust law enforcement reporting on alien smuggling networks, drug trafficking organizations, and transnational criminal organizations involvement in UAC [unaccompanied minors] and accompanied minor smuggling operations.”

Johnson said that the time taken to repatriate adults arriving with children had been reduced “considerably” and that six to 10 flights a day were taking deportees to Central America. He also confirmed reports that a decline had been detected in the apprehensions of illegal immigrants and unaccompanied children. White House spokesman Josh Earnest said that in the first two weeks of July the apprehension of UACs in the Rio Grande Valley sector had fallen to an average of 150 a day from 355 in June. Previous estimates by officials had put the progression from an average 150 a day in January-February to 233 in March-April and 333 in May June. Border Patrol statistics show the number of UACs apprehended in the first nine months of fiscal year 2014 (October-June) rising to 57,525, 106% more than in the comparable period of FY2013.

■ As the Central American presidents were arriving in Washington, President Obama was on the phone to his Mexican peer, Enrique Peña Nieto, to express his appreciation for the latter’s moves to control the through-flow from Central America, which included plans to prevent people from boarding the network of freight trains known as La Bestia (‘The Beast’) that carry illegal migrants from Arriaga in Chiapas to points close to the US border. In the background, a survey conducted by the Casa del Migrante of Saltillo (Coahuila), revealed that 47% of the migrants questioned said they had suffered extortion from Mexico’s federal police — well above the 16% who were forced to pay passage to the Zetas and the 8% extorted by the Mara Salvatrucha.

**Maduro passes two tests**

Formally at least President Nicolás Maduro passed his first test, the political one. The third congress of the ruling Partido Socialista Unido de Venezuela (PSUV) elected him party president 'by acclamation' (and proclaimed the late former president Hugo Chávez [1999-2013] their "eternal leader"). Predictably enough, there was no manifestation at the event of the internal turmoil in the party. Maduro also passed another test, this time in the diplomatic arena: he was able to present to the congress as a 'hero' former military intelligence chief Hugo Carvajal, wrested from the hands of the US.

The only signs that there was trouble afoot were two oblique allusions. One came from Barinas governor Adán Chávez. "The party," he said, "has faced down its toughest challenge since the death of the eternal leader [his late brother]." The other came from national assembly president Diosdado Cabello: "Though not everything works as it should within the party, here we have a creative force to correct what needs correcting [...] Of course there are problems — but how many more were there in 1998?"

There was little chance than anyone would oppose Maduro's election: the low turnout at the elections for delegates had ensured that the government's candidates would sweep the board. Going for "acclamation" further ensured that a vote might reveal any dissent.

Rescuing Carvajal had been a chancier affair. He had been arrested in Aruba on 23 July at the request of the US, invoking its extradition treaty with the Netherlands and Aruba. He is wanted in the US to answer charges of facilitation and direct involvement in drug trafficking. Venezuela's initial claim was that Carvajal enjoyed diplomatic immunity as the country's appointed consul-general in Aruba. This was opposed by Aruba's chief prosecutor, Peter Blanken, on the grounds that Carvajal had not yet been formally accredited.

Maduro then tried pressure, designed to impress upon Aruba and the Netherlands that handing over Carvajal to the US would be costly. On 25 July Venezuela's civil aviation institute (Inac) suspended all flights to and from Aruba (and for good measure also Curaçao, Bonaire, Sint Maarten and all of the Netherlands Antilles). Venezuela is Aruba's second source of tourists (after the US), and this measure left more than 500 travellers (mostly Venezuelan) stranded at the Queen Beatrix international airport at Oranjestad. The suspension was lifted the following day.

According to Blanken, Venezuelan warships appeared off the coasts of Aruba and Curaçao. "We don't know what their intentions were," he said, "but I think a lot of people in Aruba were scared that something would happen." He added that, additionally, state oil firm Petróleos de Venezuela (Pdvs) had threatened to cancel a contract to manage Curaçao's oil refinery.

In Washington, US State Department spokeswoman Jen Psaki said, "We are disturbed by credible reports that have come to us indicating the Venezuelan government threatened the governments of Aruba, the Netherlands, and others." By when this set of claims became public, Carvajal was already on his way back to Venezuela.

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“Maduro said in his inaugural speech as party president. “There is no democracy without socialism. We are marching towards the creation of a new state and a new government [...] The PSUV must be organised to wage this political war against our domestic and external enemies [...] It is not by the path of agonising leftism or defeatist reformism that we will achieve the synthesis of the party, but by the path of *chavismo*.”

### **Diplomatic outcome**

The Venezuelan supreme court had formally notified the government of the Netherlands, which handles Aruba’s foreign affairs, that Carvajal “began his consular functions on 7th February 2014, as per the notification made on 10th February 2014 by the General Consulate of Venezuela in Aruba to the Aruban Foreign Relations Department.”

The reply from The Hague was a note that said, “As per article 13 of the consular agreement [the Vienna Convention], the head of a consular mission may be admitted provisionally to exercise their functions. In that case, the dispositions of the consular agreement apply. Based on this article, the Kingdom recognises that the dispositions of the consular agreement are applicable to Mr. Carvajal Barrios. This means that his detention on 23rd July was in violation of his [diplomatic] immunity, the Kingdom will see to his release [...] The Kingdom informs the Bolivarian Republic of Venezuela that Mr. Carvajal Barrios must return to his country after his release.”

In Washington, Psaki said that the US government was “deeply disappointed” by the Dutch decision, which it described as “based on a supposed immunity that goes beyond the established international rules”.

### **PSUV prepares for confrontation**

Apart from electing its new president, the PSUV congress’s agenda included the discussion of the party’s ‘fundamental documents’. Top priority was assigned to granting ‘statutory character’ to the existing Unidades de Batalla Bolívar Chávez (UBCH), defined as “the essential organisation and base for the articulation of socialist patrols for the coordinated execution of political and social action in determined areas.” The party leadership is charged with organising the UBCHs “with the objective of creating a network of politico-social articulation and the system of ideological formation.”

Between 1 August and 12 October a second phase of the party congress will convene to designate the territorial boundaries of the ‘circles of popular struggle’ and elect their leaders. The party leadership has set itself the target of activating 13,683 UBCHs in 4,037 ‘struggle circles’ with ‘radiuses of action’ ranging from 500 to 5,000 metres.

A third phase is scheduled from 13 October to 13 November, to reorganise the UBCHs and establish the territorial boundaries of 1,010 ‘popular struggle networks’ and elect their leaders.

A fourth phase is envisaged to designate the members of the various ‘patrols’: ideological formation, mobilisation, propaganda, articulation with social movements, articulation with the youth, support for the government of Efficiency on the Street, security and defence, electoral techniques and logistics.

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■ At the PSUV congress the vice-president for economic affairs, Rafael Ramírez, said that the current three-tier currency exchange system will probably be unified, but did not venture when. This will inevitably spell devaluation which will put further pressure on domestic prices — already threatened by the hints by official that fuel prices will have to be raised.

## Now Urresti must deal with corruption in the police

Apart from the cascade of corruption cases across Peru and his own legal discomfitures, Interior Minister Daniel Urresti now has to cope with the revelation that a large number of ranking officers who had been dismissed for serious offences have been playing the internal disciplinary appeals system in order to remain in active service collecting full pay.

This situation was unearthed by the newspaper *La República* and presented to Urresti. His instant reaction was, "This cannot be true. I will not tolerate that while we are trying to clean the house police officers who have broken the law should remain on the job and collect their pay." He said he would order all the dossiers to be reviewed.

The interior ministry's inspector-general, Gerson Villar, appointed to his post in June, confirmed the newspaper's finding that 127 police officers, some of them of high rank, had been dismissed for breaches of discipline but have managed to get their dismissals held in abeyance while the force's disciplinary tribunal hears their appeals. The tribunal is supposed to rule on the appeals within 45 days, but sometimes takes more than a year to do so.

The most frequent motive invoked for the appeal, common among the officers posted far from the capital, is to allege that they were never formally notified. When the formal notification is sent they have already moved elsewhere.

The offences for which these officers were dismissed include kidnapping, fraud, extortion, embezzlement of police funds, theft of fuel and desertion. One notable case is that of General Orlando del Águila Cabanillas, dismissed for having embezzled funds allocated to the refurbishment of 11 police stations in Cajamarca. He and 15 others were found guilty and dismissed from the service in October 2013. The general appealed on the grounds that he had been denied due process; in May 2014 the tribunal confirmed his dismissal and he appealed again, on the same grounds. He is still on full pay.

Two majors (one of whom was the force's inspector-general) were dismissed in late 2013 for having cheated in exams for promotion; they appealed on the grounds that cheating in exams is not explicitly listed as breaches of discipline in police regulations. The tribunal agreed to hear their appeal and is currently reviewing their case.

Two other cases involve police connections with organised crime. One does not hinge upon dismissals from the service but on a questionable investigation into alleged collusion of two colonels with a notorious drug trafficker, Haydée Leyva Caycay, which led to the acquittal of one of them and a light punishment for the other.

*La República* has brought to light the fact that the tribunal chose not to consider recordings of the colonels' phone conversations with Leyva Caycay. The interior minister ordered a new investigation, but until this goes back to the tribunal, the two retain their jobs. There are 15 other others facing charges in this case.

Yet another colonel is the former police chief of Chiclayo, arrested on charges of involvement (together with another 21 officers) with a gang known as the 'new clan of the north' that engaged in robbery and extortion, which the police's criminal investigation directorate disrupted last December. The colonel is behind bars, awaiting a resolution by the tribunal — on full pay.

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## Starbucks lands in Colombia

On 16 July US coffeehouse chain Starbucks Corporation opened its first shop in central Bogotá. This has sparked some controversy amid concerns that it could undermine the emblematic local coffee chain, Juan Valdez Café, which is owned by Colombia's national coffee growers' federation (Fedecafé). However, Starbucks CEO Howard Schultz stated that "we've come to Colombia with a lot of respect and humility, [we are] very aware of the country's coffee culture...we're only serving Colombian coffee in the store...[and] we feel that we will complement the great work done by Juan Valdez and Fedecafé". Howard added that Starbucks plans to invest US\$5m in 50 new stores and hire 1,000 people in Colombia over the next five years.

**PERU | Oil spill prompts reshuffle of Petroperú's board.** On 24 July the Peruvian government led by President Ollanta Humala fulfilled its pledge to restructure the board of directors of the state-controlled oil company, Petroperú, following an oil spill in the northern-eastern Loreto department. The spill took place on 30 June after a corroded tract of Petroperú's north Peruvian oil pipeline began leaking crude oil into the ground near the locality of Cuninico, Urarinas district. An unknown quantity of crude (it is estimated that some 10,000 barrels) was spilled, affecting over two hectares of lowland Amazonian jungle and 549 local inhabitants who consumed contaminated water and fish. The incident became a scandal after the local TV show *Panorama* revealed that in an apparent bid to reduce local discontent, Petroperú hired members of the local indigenous communities – including minors – to help clean up the spill but without providing them with adequate safety equipment. *Panorama* also alleged that the nearby Cuninico and Marañón Rivers had also been contaminated by the leak – which Petroperú vehemently denies. However, on 22 July Manuel Pulgar Vidal, Peru's environment minister, announced that his ministry would launch a full investigation and that Petroperú would face the highest possible fines if found to be in anyway responsible for the environmental damage caused. Soon after Pulgar Vidal's announcement, Energy & Mines Minister Eleodoro Mayorga announced the reshuffle of Petroperú's five-member board. Mayorga said the decision owed to the fact that the board was "not complying with the objectives set out for the firm" and that the government felt that greater "transparency" and "experience" were needed to handle the firm's future projects – remarks that were taken to be a reference to the handling of the Cuninico spill. The main head to roll was that of board president Héctor Reyes Cruz, appointed in January 2013, who was replaced by Pedro Touzett, a former Petroperú board president (1997-2000). Vice-president Luis Baba Nakao and another board member, Jorge Luis Parodi Quesada, were also replaced.

**ECUADOR | New banking code.** On 24 July Ecuador's national assembly approved a new financial & monetary code (Comf) designed to regulate the national financial system. The new code has already sparked concerns from the political opposition and local banking sector due to its emphasis on state-directed management of the domestic financial sector. The Comf contains provisions aimed at increasing the central government's ability to regulate the national financial system and protect savers from having their bank accounts frozen during bank liquidity crises (as happened in Ecuador in 1999). The new code also limits the remuneration of financial institution executives and establishes a deposit insurance scheme that will cover the private, public sector and cooperative banks. However, the establishment of a new financial & monetary policy regulation board, which under the Comf will be tasked with the general oversight of the financial sector, has proven highly controversial. The board – which will have the power to establish minimum liquidity requirements for financial institutions, limit the holdings of foreign assets by banks, and limit the size of loans and credit that can be allocated to each sector – will not include representatives from the private banking sector and will be under the effective control of the executive. According to opposition deputy Luis Fernando Torres, this will allow the board to become "one of the most powerful public bodies on Ecuadorean territory", able to "legislate over different matters under the pretence of promulgating normative acts". Similarly César Robalino, the president of the Ecuadorean private banking association (ABPE), has complained that "one thing is oversight, another is State dirigisme at its maximum". According to Robalino the Comf will introduce "a frightening State interventionism" in the system. The Comf also introduces a 0.5% fee on all financial credit transactions which is to be collected by the public health ministry in order to be disbursed to Ecuador's Society to Fight Cancer (Sociedad de Lucha Contra el Cancer, Solca). Marcos López, a former member of the central bank (BCE)'s board, remarked that the fee would make credit in the country more costly while easing the strain on the State budget. The Comf also ratifies the dollarization of Ecuador's domestic economy and prevents the use of Bitcoins and other 'stateless' digital currencies but establishes guidelines for the creation of an Ecuadorean digital currency under the control of the BCE.

## Brazil versus Israel

In comparison with her predecessor, Lula da Silva (2003-2011), President Dilma Rousseff has acted cautiously in the sphere of foreign relations. Some of that caution, however, was cast aside last week when Itamaraty, the Brazilian foreign office, issued a note condemning Israel's "disproportionate use of force" in the Gaza Strip, and recalling the Brazilian ambassador in Tel Aviv. In contrast with the diplomatic niceties of other countries' responses to Operation Protective Edge, including that of Argentina, the note did not refer to Israel's right to self-defence, nor criticise Hamas' rocket attacks. Israel responded with a crude attack on Brazil's global status, with a spokesman labelling the country a "diplomatic dwarf" and making a strained link to Brazil's 7-1 defeat to Germany in the Fifa World Cup.

Though several other Latin American countries, most recently Chile and Peru, have now recalled their ambassadors to Israel for consultation, Brazil was the first to do so on 23 July. Taking the lead in such a controversial matter, though not unprecedented, is perhaps best explained by the proximity of October's general elections. Following the Brazilian government's criticism of Israel, and its silence over the downing of the passenger jet over the Ukraine, the influential right-wing weekly magazine *Veja's* front cover this week reads: "Black-out in diplomacy". Given its record of hysterical implacability to the Rousseff government, *Veja's* criticism is likely only to motivate the President's support base.

Ahead of the election campaign broadcasts, allowed on TV and radio from 19 August, Rousseff, normally a reluctant interviewee, has been defending the orthodoxy of her economic policies across a wide range of media outlets. The crisis in Gaza allows her to reassert her left-wing credentials among supporters who might be tempted to vote for the "Lula-lite" brand of politics ostensibly offered by Eduardo Campos and Marina Silva.

In her latest round of interviews, on 28 July, Rousseff explained the decision to recall the Brazilian ambassador. While softening the tone of the Itamaraty note, referring to her "great respect" for Israel, and pointing out Brazil was one of the first countries to recognise it as a State, she described the situation in Gaza as a "massacre". "It is a disproportionate action. In no way is it possible to kill women and children," she said. She did not, however, repeat the description of her principle advisor on foreign affairs, Marco Aurélio Garcia, who called the military incursion "genocide".

Over the weekend, Rousseff received a petition, signed by over 80 civil society and human rights groups, led by Boycott, Divestment and Sanctions (BDS), calling for her to sever diplomatic relations with Israel. According to the campaigning organisation, Brazil is a major purchaser of Israeli arms (according to the Israeli export data compiled by BDS, between 2005-2010 Brazil was the fifth largest importer). Brazil also imports significant amounts of medical and agricultural products manufactured in Israel.

Tel Aviv's intemperate response to the Brazilian decision, in which foreign ministry spokesman Yigal Palmor described Brazil as a "cultural and economic giant" but a "diplomatic dwarf", reflected Israel's frustration with the poor relations between the two countries over the past few years. In 2011, Brazil voted at the United Nations (UN) in favour of the motion to recognise an independent Palestinian State. Brazil has also called repeatedly for the lifting of Israeli restrictions on movement caused by roadblocks in the occupied territories, and has condemned the expansion of Israeli settlements.

## Mercosur

At the Southern Common Market (Mercosur) heads of state summit which took place in Caracas on 29 July, the presidents of Brazil, Uruguay, Paraguay, Argentina and Venezuela condemned the "disproportionate use" of force by Israel, but also criticised violence against Israeli citizens and demanded an immediate ceasefire. But Mercosur's free trade agreement with Israeli, the South American bloc's first, signed in 2010, was not up for discussion.

**EPP to follow in Farc's footsteps?**

The guerrillas of the Ejército del Pueblo Paraguayo (EPP) have become stronger and will soon start stepping up their attacks on power pylons and other infrastructure targets, as well as launching urban operations. The prediction comes from a Colombian official who has in the past advised the Paraguayan security forces. He sees the EPP as a 'mirror image' of the Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas of his own country — and is highly critical of the Paraguayan government's counter-insurgency methods. Paraguay's Interior Minister, Francisco de Vargas, disagrees.

The Colombian official, identified only by the pseudonym 'Diego', was interviewed in late July by a journalist from the Paraguayan newspaper *ABC Color*. He helped the Paraguayan authorities in the kidnapping of cattle rancher Fidel Zavala in 2009 and visited Paraguay on seven occasions. He says that the 'operational' approach adopted by the Paraguayan authorities — involving 'sweeps' and the establishment of checkpoints by the military-police Fuerza de Tareas Conjuntas (FTC) — is mistaken, and that the emphasis should be placed on intelligence, which he sees as a task for the police.

He also sees the Paraguayan field units hobbled by the need to await orders from Asunción before taking action. He exemplifies this with an episode he witnessed in 2010, when the police's anti-kidnapping unit tracked down an EPP camp and was able, with the aid of night-vision equipment, to identify "five or six" of the group's "most important leaders". Following the rules of engagement he had been given, the leader of the police unit sought permission to move against the guerrillas from the interior minister (Rafael Filizzola at the time). He was unable to get through to Filizzola, as he was away in Colombia seeking more assistance. The guerrillas were able to slip away at dawn.

The *ABC Color* report says that there were five instances in a three-month period in which EPP camps were located, but were unoccupied when the security forces moved in. This was confirmed on 28 July by De Vargas in a radio interview, adding that the five episodes took place during his watch. However, De Vargas said that it was not the intelligence that failed, but the operational follow-up. "We are failing on the tactical side, not in the location [of the camps]," he said. He attributed this to inadequate training and to "fortuitous circumstances". The minister said that at preset the units in the field do not need to seek approval from Asunción before going into action: "It makes no sense for them to be conducting these incursions only to have to seek permission — that is scatterbrained."

He also takes issue with Diego's parallel between the EPP and the Farc. "A link between the two," he said, "has been proven. It is known that they have received training [which] is why the recommendations of our Colombian brothers are taken very seriously, because they have experience." But, he added, "it must be understood that the conditions in both countries are very different in both the political and economic arenas." The EPP, he noted, began to operate in urban areas with kidnappings and bombings, and only afterwards moved to the interior, where they found a 'comfort zone' in the north — while the Farc was born in the rural areas of Colombia.

It is a fact that the EPP has escalated its activities: in July it blew up two high-tension power pylons interrupting the supply to parts of four departments, abducted a police NCO, and ambushed an armoured police vehicle, all in the Horqueta district of Concepción department. An FTC unit tracked down an EPP camp shortly after it had been abandoned — also in the same area.

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**Patria o buitres?**

At the close of New York City banking hours on 30 July Argentina slipped back into a formal default on its foreign debt for the second time in over 12 years, as it failed to make US\$539m in overdue payments to the bulk of its bondholders. The payments were blocked by order of New York judge Thomas Griesa who has ruled that Argentina cannot pay its bondholders unless it also pays US\$1.33bn plus interest to a group of 'holdout' creditors led by hedge fund NML Capital. Despite last minute negotiations by Argentina's economy minister, Axel Kicillof, and an offer to help from the association of Argentine private banks (Adeba), no deal was reached between Argentina and the holdouts. So what are the political consequences?

Ultimately the political consequences of Argentina's latest stand-off are uncertain, and depend on what happens next. But at least two things are clear. First, the tone and style of Argentina's handling of the issue (a combination of defiance, intransigence and brinkmanship) was set by President Cristina Fernández and Kicillof, with many other members of the government on the sidelines. Second, the Fernández-Kicillof duo seems to have believed that taking a hard line, summarised by the phrase '*patria o buitres*' (motherland or vultures) will galvanise public opinion in support of the government. Some Buenos Aires commentators say that the government has commissioned private public opinion surveys that back up this view. Certainly there is little sympathy for the US-based hedge funds – the 'vultures' – that bought distressed Argentine debt at massive discounts and now stand to cash in at 100% of face value.

But as opposition deputy Elisa Carrió of Coalición Cívica ARI has pointed out, the decision to '*malvinizar*' the dispute is a high-risk one. The reference is to the South Atlantic conflict between Argentina and the United Kingdom over the Malvinas/Falklands islands dating back to 1982. At that time Argentina's military government sought to present the population with an 'either-or' choice: they could choose patriotism and support the regime – or in effect be traitors, selling out to foreign interests. Options in-between (such as supporting the sovereignty claim over the islands but opposing military intervention) were excluded. This 'us or the devil' type choice can be an effective rallying mechanism in the short-term, and can be wonderful for a government that turns out to be on the winning side. Indeed, had Argentina won the South Atlantic conflict, no one doubted that the then president, General Leopoldo Galtieri (1981-1982), would have remained in office much longer. But it didn't – Galtieri was deposed and in just over a year military rule had ended.

Today's foreign debt dispute is of course a different political conflict in a different Argentina. But the default can be seen as a failure of the government's negotiating strategy, and if so, responsibility should fall on Fernández and Kicillof. The government may try and present it as a victory – but this will stretch credibility. Or, more feasibly, it may present it as a narrative that is not yet over. The default can indeed be presented as a pause, prior to a new attempt to reach a settlement. That will minimise the political cost to the government. The danger of course is that the default which at the moment is selective (in part due to the fact that interest payments made by Argentina to some of the holders of restructured bonds were released by Judge Griesa at the last minute (*see box*)), can get worse (with other as yet unaffected creditors invoking cross-default clauses), and trigger a deeper recession. In that case the *patria o buitres* slogan may be seen as a gamble that backfired.

“The government may try and present it as a victory – but this will stretch credibility.”

## Volkswagen scales back operations in Argentina

On 24 July German car manufacturer Volkswagen announced it will suspend operations for two five-day periods (28 July-1 August, 1-5 September) at its plant in Córdoba, Argentina. According to the firm, the suspension – during which 1,100 workers will receive 75% of their salary – is due to a fall in exports to Brazil. The announcement follows the 18 July decision to close Volkswagen's plant in General Pacheco, Buenos Aires province, for a ten-day period also due to a drop in regional demand. Argentina's auto manufacturing sector has been experiencing a sharp fall in activity since June as a result of lower demand both in Argentina and also in Brazil as the two leading South American economies continue to experience a marked slowdown.

There may also be some immediate internal quarrels within the government. The last-minute intervention by Adeba to try and resolve the deadlock by raising money (US\$250m or more) to make a down payment to the US hedge funds, did not appear to have Kicillof's blessing. Instead, it was said to have been put together at the request of the president of Argentina's central bank (BCRA), Juan Carlos Fábrega, and Fernández's cabinet chief Jorge Capitanich, both of whom have often been seen as Kicillof's rivals for influence within the administration. At his New York City press conference Kicillof was rather dismissive of the proposal, saying that he had only read about it in the press. Some sources claim that Kicillof deliberately sidelined it, and there are rumours in Buenos Aires that Fábrega is now considering his resignation. If some version of the Adeba plan does eventually prosper, Kicillof will not be able to claim the credit.

### Griesa authorises partial payment

On 28 July Judge Thomas Griesa revealed that he had allowed for the release of US\$87m in interest payments made by Argentina on US dollar-denominated bonds issued in Buenos Aires but held abroad.

The decision was in response to a clarification request by Citibank, which wanted to know if Griesa's ruling also affected these payments. Griesa explained that the ruling does, but that he had decided to allow these to go through "this onetime" because "the court does not want to affect [Argentina's] deal with Repsol" – among the bonds that will receive payment are those held by the Spanish oil firm, which were part of the compensation paid to it by Argentina in February for the 2012 expropriation of its controlling stake in Argentina's national oil firm, Yacimientos Petrolíferos Fiscales (YPF).

Griesa said that his decision was based on the fact that Citibank had explained that it was unable to differentiate between the bonds issued for Repsol and other Argentine bonds, as these share the same International Securities Identification Number (ISIN). "For this reason alone Citibank can pay the interest due on bonds held by Repsol and other restructured peso and dollar denominated bonds", Griesa said in a statement. However, Griesa also called on Citibank to come up with a mechanism to differentiate the different bonds in the future.

## TRACKING TRENDS

**BRAZIL | Industrialists demand fiscal reform.** On 28 July the Brazilian confederation of industrialists (CNI) presented a document entitled *Industry proposals for the 2014 elections* which contains a set of "essential" proposals and recommendations to foster growth and competitiveness in the country. On 30 July, during a CNI-hosted meeting, copies of the document were handed over to the main presidential candidates taking part in the 5 October general elections – President Dilma Rousseff of the Partido dos Trabalhadores (PT), Aécio Neves of the centrist Partido da Social Democracia Brasileira (PSB) and Eduardo Campos of the Partido Socialista Brasileiro (PSB). The CNI's main demand is for a reduction in Brazil's onerous tax burden which it complains currently limits the country's growth rate (which the CNI forecasts will hover at 1.0% in 2014). The CNI, which also complains that the tax burden significantly increases the cost of opening new factories (by an estimated 10.6%), says that this tax reduction should ideally be accompanied by a simplification of the tax system itself and tax breaks for exports and investments. The document also calls for the government to boost spending on infrastructure which currently stands at R\$73bn (US\$32.5bn) per year. According to the CNI, this figure should be brought to at least 5% of GDP, or R\$175bn (US\$77.9bn). "The basis of CNI's vision for the next four years is that there are numerous growth opportunities for the country and its industry but we need to overcome some challenges, the main one being competitiveness", said José Augusto Fernandes, the CNI's director of policy and strategy, who presented the document. "Brazil has turned into an expensive and uncompetitive country", he added.

### The border looks different from here

Judging by their public statements, the governors of two important US states, each of which shares a border with Mexico, have radically different views of how the border should operate. While both have been stirred to comment by the ‘unaccompanied minors’ crisis – the surge in largely Central American undocumented children seeking to travel through Mexico to get into the US, the different views they are expressing have major long-term political and economic implications for the Mexico-US relationship.

The two US governors have taken almost diametrically opposed positions on ‘the border question’. For one of them, the key point seems to be security and the need to keep undesirables out. Announcing additional measures to strengthen the border, this governor recently said that “there can be no national security without border security...the action I am ordering today will tackle this crisis head-on by multiplying our efforts to combat cartel activity, human traffickers, and individual criminals who threaten the safety of people across...America”.

For the other governor, “we could never solve the problem only at the border. The problem is, at its essence, a humanitarian issue”. This governor also seemed preoccupied with making crossing the border easier, rather than more difficult for the majority of individuals. Speaking about delays at a local border crossing, he said, “whatever has to be done in two hours can be done in 15 minutes, or maybe in 30 minutes. The question is what it would take to transform the delay into an appropriate, much briefer period of waiting”.

The two governors are of course Rick Perry, the Republican governor of Texas, who was speaking on 21 July after announcing that he was sending an additional 1,000 US National Guardsmen to patrol the Texas-Mexico border; and the Democrat governor of California, Jerry Brown, who was speaking on 29 July during a visit to Mexico City. In his comments about border crossing delays Brown was referring to the Tijuana-San Diego crossing.

Their radically different views can be attributed to a range of factors. One is of course that they are in rival political parties: Governor Perry may seek his party’s presidential nomination in 2016, and may be calculating that a tough line on immigration issues will be a vote winner. Governor Brown has in his long career been associated with the Democratic Party’s progressive wing.

One interesting hypothesis links their positions to different demographic and economic realities. It has been argued that Mexico is the source of the largest immigration in history from a single country into the US (a paper from the US’s Pew Research Center, a non-partisan social issues think-tank, says that while nearly 20m Europeans arrived in the US in 1890-1919, 40m Mexicans did so in the 50 years to 2010).

Writing in the *Sacramento Bee*, journalist Marcos Breton said that Mexican migration has been more intense in California than in Texas, and has led to a “seismic shift in demographics, policy and attitudes”. Today, as Breton put it “the business of California – and the United States – is business with Mexico.”

Breton cites another study (from the think-tank, The Woodrow Wilson International Center for Scholars), which says that economic integration between Mexico and the US has reached a point where 40% of the value of all

“Writing in the *Sacramento Bee*, journalist Marcos Breton said that Mexican migration has been more intense in California than in Texas, and has led to a “seismic shift in demographics, policy and attitudes”. Today, as Breton put it “the business of California – and the United States – is business with Mexico.””

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US imports from Mexico consist of US-made components, compared to 4% of US imports from China.

This goes some way to explaining the concerns expressed by Governor Brown during his three-day visit to Mexico City this week, during which he met President Enrique Peña Nieto. Brown and Peña Nieto were focused on jointly promoting trade, tourism, and environmental protection. While border issues remain, Brown made it clear that they should be seen in the wider context of mutually-beneficial bilateral relations.

For the Mexican government the suggestion that the relationship between California and Mexico today may be setting the model for the relationship between *all* US states and Mexico tomorrow is encouraging. It dovetails with US President Barack Obama’s plans to push for immigration reform after the November mid-term congressional elections in the US, which would offer a pathway to US citizenship for many of the approximately 11m Mexicans currently living and working in the US without legal residence papers.

Mexico’s foreign minister, José Antonio Meade Kuribreña, seemed to have that in mind when during a visit to California last week he said that, “we are looking ahead to a time when Mexico and the US will benefit not just from allegiances but from an increased network of cross-border ties between our societies. Lack of immigration reform is holding all of these prospects back”.

But it would be a mistake to dismiss Governor Perry and his ‘Texan view’ of the border as a thing of the past. Concern over immigration issues continues to be a potentially powerful electoral driver in US politics.

According to a July survey by the Pew Research Center, only 28% of voters approve of the way that President Obama has handled the surge of child migrants from Central America - “one of the lowest ratings for his handling of any issue since he became President”. A majority of respondents still support granting legal status for undocumented migrants who can meet certain residence requirements, but it has dropped from 73% in February to 68%. The proportion is higher among Democrats (77%) than among Republicans (54%). Among Republicans who identify with the Tea Party movement a majority (56%) now opposes allowing undocumented immigrants to legally remain in the US. Many of the Mexican government’s economic reforms would benefit from a move to more open borders, but the Peña Nieto government has no guarantee that the ‘Californian way’ of seeing things will ultimately prevail over the Texan one.

#### **Brown advises Mexico to exercise a “firm hand” with oil firms**

On 29 July California Governor Jerry Brown told Mexican legislators that in light of the imminent approval of the energy reform promoted by the government led by President Enrique Peña Nieto, which will open up Mexico’s oil industry to increased private sector participation, Mexico should have “a firm hand” when it comes to regulating the private oil firms that will now look to enter the country.

Speaking during a meeting with Mexican senate leaders in which he discussed increasing cooperation between the Mexican and California legislatures, Brown said that the opening up of Mexico’s oil sector would completely “change Mexico’s energy sector...you will have all these private firms and you have to have a firm hand or else they’ll eat you alive”.

California state senator, Lou Correa, who accompanied Brown to Mexico, added that 15 years ago when California opened up its electricity sector to private participation, the state government incurred a US\$10bn debt that is still being paid. “The Governor knows Mexico’s history and the decisions that are being taken, so his advice is: ‘do it, but do it carefully’”, Correa said.

### SHCP identifies heavily indebted states

On 30 July Mexico's finance ministry (SHCP) released its latest report on the state of the public finances of the country's 32 federal entities, in which it identified seven states whose debts are much higher than the contributions that they receive from the federal government. According to the SHCP data, the total debt of Mexico's federal entities currently stands at M\$481.79bn (US\$36.51bn), 83.6% of which can be fully covered by the contributions that these receive from the federal government. However, the debt of seven states is currently higher than the maximum contributions they are scheduled to receive. The seven highly indebted states are Coahuila (its debt is 254.4% of its entitled contributions), Chihuahua (245.7%), Quintana Roo (241.5%), Nuevo León (200.4%), Veracruz (119.5%), Nayarit (111.7%) and Sonora (103.2%).

**MEXICO | Record savings.** On 29 July Mexico's national banking and securities commission (CNBV) revealed that the overall level of savings deposited in Mexico's domestic financial system reached a new record of M\$14.3trn (US\$1.097bn) last year, representing 85.8% of the country's GDP and a 6.8% year-on-year increase. The record level of savings observed last year should help boost the level of credit available for Mexican borrowers. This is one of the objectives of the banking reform recently approved by the government led by President Enrique Peña Nieto as parts of its efforts to increase investment in the domestic economy. A CNBV report highlighted that the new savings ratio is substantially higher than in 2000 when it equalled 51.5% of GDP, noting that the sustained increase "denotes the confidence in the soundness of Mexico's financial system". According to the report, while the level of savings has been growing consistently since 2000, the increase was more pronounced between 2007 and 2012, when the savings ratio went from 60% of GDP in 2007 to 80.2% of GDP in 2012. The ratio's rate of increase last year was comparatively lower but savings still grew by 5.6 percentage points. Significantly, the CNBV data shows that the rise in savings since 2007 has been driven by constant increases in the level of foreign savings (savings deposited by foreign firms and individuals) and in domestic fixed income assets (public and private sector bonds), which appears to confirm the growing level of confidence that foreign and domestic investors have in the Mexican economy. However, despite the increase in savings levels, the CNBV report underlines that the availability of credit to the private sector still remains low. According to the CNBV data, the availability of credit to the private sector last year amounted to 28.3% of GDP, just 2.4 percentage points higher than in 2012. Following the approval of the banking reform, the Peña Nieto government said that it expected that the availability of credit to the private sector to rise to 40% of GDP by the end of its six-year term in 2018. A lot more work needs to be done in order for this target to be achieved.

**MEXICO | Abe's visit.** On 27 July Japan's Prime Minister Shinzo Abe concluded a three-day visit to Mexico during which he signed a number of cooperation agreements with Mexico's President Enrique Peña Nieto and the two agreed to work together to conclude the Trans-Pacific Partnership (TPP) trade negotiations this year. The TPP is an ambitious proposal to create a 12-country free-trade zone across the Pacific (including the US, Mexico, Canada, Peru, Chile, Australia, Japan, Malaysia, and Vietnam, but excluding China). TPP negotiations have been taking place since 2005 but have hit some obstacles and Abe's visit to Mexico was in part designed to overcome these. Both Abe and President Peña Nieto are interested in diversifying trade and investment patterns, and on this count the visit was a success. During the visit, the two leaders signed 14 cooperation agreements covering oil, education, health, agriculture, the environment, and renewable energy. While the content of Peña Nieto and Abe's TPP discussions has not been revealed, some analysts note that public opinion in Japan has come out strongly against concessions on issues like agricultural free trade within the TPP and it's likely that Abe was seeking Peña Nieto's support on this point. That Mexico has been perceived as an important player in the TPP negotiations is a boost for President Peña Nieto given that one of his objectives is to raise Mexico's profile on the international stage. Mexico's trade relationship with Japan is also important in its own right. Japan is Mexico's fourth-largest trade partner and its second-largest in Asia after China. Over 800 Japanese companies are now active in Mexico (20% of them having come there in the last couple of years). Following the signing of the 2005 economic partnership agreement between the two countries, bilateral trade rose by 65%. Last year it totalled nearly US\$20bn. Japanese investments in Mexico (many in the automotive sector) are now valued at US\$16.5bn. Currently Peña Nieto's main priority is to boost the country's still sluggish economic growth rate and it is clear that Japan can help Mexico achieve this goal in various ways.

## Echoes of 2011

Last week the leader and secretary general of Guatemala's main opposition party, Libertad Democrática Renovada (Líder), Manuel Baldizón, announced his resignation from the party. Widely considered a cynical attempt to sidestep restrictions on electoral campaigning ahead of the 2015 general elections, local commentators decried the move as the latest mockery of the country's electoral laws. It has led to comparisons with the decision by former first lady Sandra Torres to divorce her husband, former president Alvaro Colom (2008-2012), in a bid to overcome a constitutional provision forbidding her from running in the 2011 presidential elections (efforts which were ultimately thwarted by the judiciary).

The 21 July announcement by Baldizón, who lost the 2011 presidential runoff to President Otto Pérez Molina and was declared Líder's pre-candidate ahead of the 2015 election, left doubts over his intention to part ways with Líder despite his claims that his departure was "definitive". Líder deputy Carlos Milián told the local press that Baldizón's decision to leave the party that he founded as an electoral vehicle in 2008 was for "the health of the party, in order to avoid any [problems] with the magistrates". But Milián was also clear that Baldizón will continue touring the country, holding rallies and meeting supporters. Baldizón himself said that "once the elections have been called, if the party decides that I am to return, I will be there". The supreme electoral court (TSE) is due to set the date for the elections in May 2015.

The move by Baldizón, who has since been replaced as party leader by head of the Líder bench in the legislature Deputy Roberto Villate, follows the TSE's 4 July decision to "temporarily suspend" 11 political parties – including Líder and President Otto Pérez Molina's Partido Patriota (PP) (see sidebar) – for a six-month period for early campaigning or until all the deployed electoral advertisements have been withdrawn. This has also led the TSE to reject Baldizón's move for the time being on the grounds that before processing his request, it is necessary to resolve the party's legal situation. Baldizón has said that he will fight the TSE's decision, pointing to protracted legal wrangling ahead of the campaigning period. He told reporters that "nothing will stop him from leaving" the party and that he would continue campaigning without using party colours and logos. Meanwhile the deputy head of Líder's bench, Luis Chávez, said that the TSE's refusal to allow Baldizón to leave the party was a violation of individual rights and that the party was looking to appeal it.

Baldizón's decision to leave Líder is even more suspicious given that early polls show him ahead in the presidential race. A January poll by Prodatos for leading daily *Prensa Libre* gave Baldizón 33.6% of voting intentions, followed by Torres on 12.9%, and communications minister Alejandro Sinibaldi (PP) on 10.9%. The survey showed that 33% of respondents were undecided. Sinibaldi was confirmed as the PP candidate in January, while Torres was declared as the Unidad Nacional de la Esperanza (UNE)'s candidate in May 2013.

## TSE

Given the proximity of the 2015 general elections, the selection of five new TSE magistrates along with their alternates in March by the 158-member unicameral legislature attracted particular scrutiny. The process was preceded by behind-the-scenes deals between the political parties represented in the legislature. The ruling PP backed two of the five new TSE magistrates; UNE backed one; Todos backed another; and Compromiso Renovación y Orden (Creo), the other. None of the judges picked – who will serve six-year terms – had the support of Líder, which could leave the party at a disadvantage ahead of the elections.

## Suspended parties

The 11 parties suspended by the supreme electoral court (TSE) as per its 4 July decision were: Libertad Democrática Renovada (Líder); Partido Patriota (PP); Unidad Nacional de la Esperanza (UNE); Compromiso Renovación y Orden (Creo); Corazón Nueva Nación (CNN); Partido de Avanzada Nacional (PAN); Todos; Partido Revolucionario Institucional (PRI); Unión del Cambio Nacional (UCN); Victoria; and Partido Unionista (PU).

## Investigation concerns

Two figures from prominent human rights organisations, Gonzalo Carrión of the Centro Nicaragüense de Derechos Humanos (Cenidh) and Marcos Carmona, the executive secretary of the Comisión Permanente de Derechos Humanos (CPDH), both separately told reporters that they had received complaints from various families regarding human rights violations by the police in relation to the investigation into the bus attacks – particularly from supporters of the opposition Partido Liberal Independiente (PLI). But police spokesperson Fernando Borge told local TV channel *Canal 15* that the police were complying with all legal processes in their investigations.

## Rare political violence raises questions

The 19 July celebrations marking the 35<sup>th</sup> anniversary of the overthrow of the Somoza dictatorship (1936-1979) made national headlines for different reasons after attacks on two buses carrying supporters of President Daniel Ortega's Frente Sandinista de Liberación Nacional (FSLN) from the capital to the western department of Matagalpa, late that night, left five dead and 19 wounded. The lack of clarity surrounding the incident and doubts surrounding its investigation are raising major questions.

Such deadly political violence is unusual in Nicaragua, one of the most peaceful countries in Central America. The attacks, which targeted buses travelling on two different roads, one in the Puertas Viejas area and the other between the towns of El Jobo and San Ramón, were widely condemned. As well as the Ortega government: the local Catholic Church; the prominent private sector lobby, Consejo Superior de la Empresa Privada (Cosep); and the opposition parties Partido Liberal Independiente (PLI) and dissident Sandinista Movimiento Renovador Sandinista (MRS) all expressed concern.

So far four people have been arrested and charged in relation to the violence: three men accused of accepting money to throw rocks at the buses to slow them down so gunmen could open fire, and their driver. The authorities have yet to identify who actually fired shots at the buses and who planned the attacks, however. Aside from the fact that the three detained men were all reportedly FSLN members, questions regarding the incident have also been fuelled by the fact that a group calling itself the Fuerzas Armadas de Salvación Nacional Ejército del Pueblo (FASN-EP) claimed responsibility for the attacks on its Facebook page. This has revived speculation regarding the presence of armed dissident political groups in the country, which the Ortega government and the military continue to deny. Most recently, on 28 July, the commander of the army, General Julio César Avilés, told reporters that the attacks were carried out by "mere criminals", reiterating that there are "no armed groups" in the country.

Speculation regarding a revival of political violence has also been fuelled by the murder of a member of the opposition PLI, Carlos García, on 26 July. A former Contra, García was reportedly shot dead near his property in Jinotega (where the Contras were active during the first Ortega government [1979-1990]). At the time of writing no one has been arrested in relation to García's murder.

Since 2009 the Church has raised concerns about the presence of armed anti-government groups in the north of the country. The issue last received press attention in December 2013 when ten people were killed in a clash between the security forces and unknown armed men, who the government described as a "gang of delinquents" in the town of Bocas de Ayapal, also in Jinotega. At the time, human rights activists like Roberto Petray of the Asociación Nicaragüense Pro Derechos Humanos told the media that the clashes took place after an armed group entered the town. The clash in Bocas de Ayapal came less than two months after the auxiliary bishop of Managua, Monsignor Silvio Báez, gave an interview with a local television station, *Canal 12*, in which he said: "It is true that in these armed bands there is a mix of all sorts, but there are people who have taken up arms for political reasons. This is something that our brother bishops of the north have been able to verify; what the army and the police must do is to accept that truth and deal with it."

**Quotes of the week**

“All this was a set up, we are piecing things together... [with] new information from friends from the North [...] about the imperial desperation.”

*Venezuela’s President Nicolás Maduro on the arrest in Aruba of Venezuelan diplomat Hugo Carvajal Barrios.*

“Humala has announced more programmes than the entire cable TV guide.”

*Opposition Partido Aprista Peruano (Apra) legislator Luciana Romero on the third state-of-the-nation-address by Peru’s President Ollanta Humala.*

“We advise the President [Horacio Cartes] to reinforce his national team and to hire the German [national football] team [which won the 2014 World Cup] so that the country begins to perform well.”

*Senator Blanca Mignarro of the opposition Partido Liberal Radical Auténtico (PLRA) with some thoughtful advice for President Horacio Cartes ahead of the 15 August anniversary of his inauguration.*

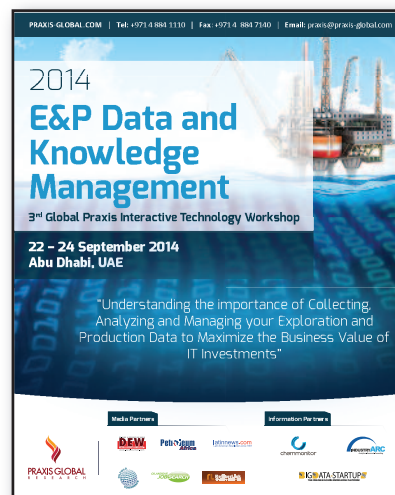
**US guns that end up in Central America**

While yet to rival the situation in Mexico, gunrunning from the US to Central America has grown into a sizable problem. In 2013 the US Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) found that of 3,966 firearms submitted to it for tracing by the countries of Central America’s Northern Triangle, 1,553 (39%) had been either made in the US or been imported to the US. Proportions varied from one country to the next. Guatemala submitted 2,045 firearms for tracing, of which 30% had come from the US; El Salvador submitted 1,079 with 52% coming from the US; Honduras 842 (46% from the US).

While a considerable number of those firearms used in crimes had entered the Northern Triangle legally — to government agencies or authorised dealers — in Guatemala and Honduras over 20% were traced back to private gun dealers in the US. Accessibility to firearms also varies from one country to the other: Honduras has the most restrictive policy, Guatemala the most permissive.

This is known to be only the tip of the iceberg, for various reasons. The most important is the legal obstacles that hinder the ATF’s ability to trace back the guns to their origins. No records are kept of single handgun purchases, only of multiple purchases (two or more in a five-day span). This had the perverse effect of making it easier to buy rifles in bulk, as vendors were under no obligation to keep records until 2011, when this obligation was imposed with regard to certain types of semi-automatic rifles, and then only in the states along the Mexican border — leaving open the possibility to make unrecorded purchases further inland in the US.

This loophole, staunchly defended by the gun lobby in the US, is a key factor in the growing number of rifles found in criminal hands in recent years in Mexico and the Northern Triangle. In the absence of the obligation to record sales the ATF is forced to take the long route of working from the serial number of the weapon to the manufacturer, from there to their customers (the dealers) and finally, if possible, to the purchasers’ intent on exporting them south of the border. The further absence of a federal anti-gunrunning law means that prosecutions may only be brought for minor offences (like falsifying paperwork) which does not encourage vendors to plea-bargain by revealing their customers’ identities. Added to which the lack of sufficient staff forces the ATF to be highly selective about conducting inspections and initiating investigations into suspected trafficking.



**LATIN AMERICAN WEEKLY REPORT** is published weekly (50 issues a year) by **Latin American Newsletters**, 61 Old Street, London EC1V 9HW, England. Telephone +44 (0)20 7251 0012, Fax +44 (0)20 7253 8193 Email: subs@latinnews.com or visit our website at: <http://www.latinnews.com>

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