

# latin american weekly report

08 January 2015, WR-15-01

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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## Tough start to second term for Brazil's Rousseff

While a presidential inauguration is perhaps not a time for self-criticism, Brazil's President Dilma Rousseff's speech on starting a second term in office was notable for its hubris. "We have already accomplished the impossible," she said. "Only miracles are yet to come." After 12 years of the left-wing Partido dos Trabalhadores (PT) in power it was unsurprising that the crowd that attended the event was much smaller than for previous inaugurations. But the fact no opposition leader showed up is indicative of the poisonous political atmosphere at the start of Rousseff's second term. Growth is weak, inflation high and the political implications of the massive corruption scandal at the state oil giant Petrobras have only just begun.

Education is to be the priority of President Rousseff's second term. "Our slogan will be: Brazil, country of education!" she said. Royalties from the massive pre-salt oil fields off the coast of Rio de Janeiro will provide the bulk of the funding. At present, Brazil spends around 6.1% of GDP on education; Rousseff has set the goal at 10%. She named Cid Gomes, the capable and loyal former governor of Ceará, as her new education minister. On 6 January, Gomes announced a 13% hike in the minimum salary for teachers to R\$1,918 (US\$715) per month but it still remains a pretty poor salary, barely twice the value of the minimum wage.

In comparison to education, Rousseff dedicated little time to other policy areas such as health, security or the environment. Corruption, however, featured prominently. After pointing out the measures her government had already taken she said that in the first week of her second term she would send a bill to congress with five proposals to combat graft. Among them, a law to ban the practice of *Caixa Dois* (off-the-books) campaign financing, and alterations to current legislation to speed up and strengthen the judicial process relating to illicit enrichment. She also proposed "a great national pact against corruption".

The fact no opposition leaders were there to hear Rousseff's proposal bodes ill for the pact's success. As does the fact that nominal government allies were soon carping to the Brazilian press that the new proposals were unworkable and ignored a failure by the executive branch to ratify anti-corruption bills that had already been passed by the legislature.

### Petrobras

Rousseff also took time to praise Petrobras' 86,000 "honest and serious employees", currently mired in the largest corruption scandal in Brazil's history. She warned of the company's "internal predators" and "external enemies" without mentioning names. "We need to learn how to purify and

## Replacements already lined up

Henrique Alves (PMDB), had been lined up as a minister until press reports surfaced alleging that he might be involved in the Petrobras scandal. The attorney-general is expected to make an announcement on which politicians face charges in February. If Alves faces no charges, he is likely to replace Vinicius Lages, the tourism minister, immediately.

to punish, without weakening Petrobras," she said. "We cannot allow Petrobras to become the target of speculative interests." Shares in the company continue to slump.

### New team

Ahead of her inauguration, Rousseff put the finishing touches to her long-delayed ministerial team. Fearful that the Petrobras scandal, which has begun to implicate politicians, could embarrass her yet further should she choose ministers who subsequently prove corrupt, she waited until as late as possible before making the announcements. Still, many of the lower ranks within the ministries are unfilled, and some of the PT's allies are grumbling that they do not have complete control over appointments even within their own ministries.

As usual, filling the 39 ministerial posts was a delicate political operation. In all, 10 parties were rewarded for their support. While the PT boasts the lion's share of the jobs, the PMDB was given tourism, fishing, agriculture, ports, energy and civil aviation. Already, the party has indicated it does not believe these portfolios reflect its weight in government. Renan Calheiros, the president of the senate, where the PMDB controls 19 of 81 seats, has threatened to withdraw its support for the PT unless it is adequately compensated when junior jobs are handed out.

Economic growth and fiscal rectitude are very much in fashion in Rousseff's second term, as demonstrated by her pick of new economic managers (seebox below). But this desire for growth above all else is also evident in her pick for some of the other ministries.

Katia Abreu, the president of the Brazilian confederation of agriculture and livestock (CNA), is the new agriculture minister, a choice that has alarmed many environmentalists. Abreu, who relishes her nickname as the "chainsaw queen", is unabashed about the need to ensure Brazil's successful agriculture industry should not be hampered by concerns over the environment, indigenous peoples or the landless.

In some of her first comments since her appointment, Abreu said, "Latifúndios [large, unproductive estates] no longer exist in Brazil". She added that conflict over land only took place when indigenous peoples "leave the forest and enter productive areas". Though she expressed a willingness to talk to the Movimento dos Trabalhadores Rurais Sem Terra (MST), once a key ally of the PT, she categorically condemned their practice of land invasions and said that no provocation would impede her work as minister.

In an indication that the broad spectrum of opinions held by Rousseff's new cabinet may impede good governance, the new agricultural development minister, Patrus Ananias, said that he believed his job was to "tear down the structure of latifúndios and promote agricultural reform".

Another appointment greeted with despair by the environmental lobby was that of Aldo Rebelo, the former sports minister who called global warming "the bridgehead of imperialism", to the science and technology ministry. Rebelo's replacement at the sports ministry is George Hilton, an evangelical bishop and radio personality who has been criticised for lacking any relevant experience in the area. The Summer Olympics take place in Rio in 2016.

### Foreign policy

Among the foreign dignitaries present at Rousseff's inauguration were the presidents of Uruguay, Bolivia, Chile and Venezuela, as well as US Vice-President Joe Biden and Chinese Vice-President Li Yuanchao. The occasion even provided a brief moment of détente between the US and Venezuela in the midst of tightening US sanctions. President Nicolás Maduro asked Biden

## **Cunha suspected**

Eduardo Cunha, the leader of PMDB in congress and prominent member of the anti-government grouping, faces questioning as part of the Operation Car Wash investigation into corruption at Petrobras. Cunha has denied any wrongdoing. Should Cunha be prosecuted, it would be welcome news for the PT. Cunha has indicated he intends to break the PT-PMDB agreement to alternate the presidency of the lower chamber, and stand as a candidate himself this year.

to “respect” Venezuela; Biden responded by telling Maduro that if he had had his hairdresser, he would have been President too.

In her speech, Rousseff promised to maintain Brazil’s foreign policy focus on Latin America by strengthening the region’s integration blocs “without ideological discrimination”. She also committed herself to working with African and Arab partners as well as the BRICS. But interestingly, in a nod to Biden’s presence, she stressed how important it was for Brazil to improve its relationship with the US, soured since the spying revelations leaked by Edward Snowden.

## **Shaky start for the new economic team**

Of all the cabinet appointments made before President Dilma Rousseff’s investiture, the most closely scrutinised were those relating to economic management.

Broadly speaking, the new appointees have been welcomed by analysts and investors in Brazil. The big question, however, is whether Rousseff will allow her appointees the freedom to pursue their own plans to bring public spending under control or whether she will micromanage. If the first day in office of her planning minister, Nelson Barbosa, is anything to go by, it seems Rousseff will find it difficult to relinquish control.

On 2 January, Barbosa told the press he would send to congress a bill including a new way of calculating the minimum wage formula. Brazil’s minimum wage is calculated based on the inflation rate, plus GDP; for 2015 it should be around R\$788 (US\$290) a month. The sum has wide implications: pensions and some government salaries are also based on multiples of the minimum wage.

A day later, Barbosa received a phone call from President Rousseff from her holiday accommodation in Bahia. Rousseff had been contacted by trade union leaders worried about the implications of this new formula, and phoned Barbosa to order him to abandon the proposal. That day, the planning ministry issued a rather sheepish retraction. The incident seems to indicate both a worrying lack of co-ordination between the president and her economic team and a certain pusillanimity on Rousseff’s part when faced with the political flak that is inevitable if her stated goal of limiting government spending is to be realised.

Joaquim Levy, the new finance minister, had a more promising start. Caricatured as an economic Superman by some of Brazil’s conservative press, great expectations attend his tenure. Ahead of Rousseff’s inauguration, Levy told the media that the President had given him “clear instructions about our objective to restore growth, boost the number of jobs and improve quality of life”. He added: “we need to have the courage to do what is necessary to fulfil that”.

Once in office, Levy gave a very strong hint that tax rises would be coming soon. “Adjustments to certain taxes will be considered,” he said, “especially those that increase domestic savings and reduce imbalances between sectors”. Repeatedly, Levy referred to the need to balance the budget to ensure Brazil continues to develop and expand opportunities for its citizens. His stated target for this year is a primary surplus of 1.2% of GDP, or R\$66.3bn (US\$24.5bn).

Though Levy avoided direct criticism of his predecessor, Guido Mantega, he made it clear he would be abandoning some of his key policies. While Mantega favoured a policy of picking winners, offering tax breaks to sectors he wished to encourage, Levy wants to simplify and harmonise Brazil’s tax system, warning against “looking for short-cuts” in terms of industry-specific incentives, “no matter how attractive they seem”. He said that the adjustment process had already begun, citing changes implemented last year to pensions and the investment criteria for the national development bank (Bndes).

Consistent with this new desire to keep spending under control, on 6 January a source at the presidential palace told the press that cabinet ministries will have to tighten their belts “another notch”. Ahead of the 2015 budget, to be debated when congress resumes in February, Rousseff’s new ministers will have very little to spend. Previously, ministries were allowed to spend up to 1/12 of the previous year’s budget ahead of congressional approval; this year, that figure is likely to be between 1/18 and 1/20.

## Therapeutic abortion

President Bachelet announced during her electoral campaign last year that she would move to legalise abortion in the case of rape, when the life of the mother is in jeopardy, or the foetus is unviable. The Bachelet administration revealed this week that it would send congress the bill to legalise abortion under these circumstances before the end of January. Chile is one of just five countries in Latin America where therapeutic abortion is still outlawed: El Salvador, Honduras, the Dominican Republic and Nicaragua are the other four. Therapeutic abortion was actually legal in Chile from 1931 until September 1989, six months before the Pinochet dictatorship ended, when total prohibition was approved. Some 71% of Chileans favour legalising abortion, according to a poll by Adimark last year.

## BRAZIL & SOUTHERN CONE

### CHILE | POLITICS

#### Abortion gaffe claims first cabinet casualty

President Michelle Bachelet has lost her first cabinet minister, since taking office last March, amid a scandal over one of the most contentious political issues in Chilean politics - abortion. The health minister, Helia Molina, resigned on 30 December shortly after she made the sort of candid remark rarely ascribed to a politician. Molina said she was resigning to avoid causing any damage to the Bachelet administration but she was effectively forced out after the executive disowned her.

"In all of the country's up-market clinics ('cuicas'), many of the most conservative families have carried out abortions," Molina said in an interview with the national daily *La Segunda*. "Those with money don't require laws, because they have the resources." The executive promptly compelled the health ministry to issue a statement indicating that the comments were Molina's "personal opinion and do not represent the views of the government of Chile". It apologised for declarations that "could offend or stigmatise certain groups of the population or health establishments".

Molina's comments antagonised the Roman Catholic Church and the ultra-conservative Unión Demócrata Independiente (UDI) - both bitterly opposed to legalising abortion in any form - which swiftly demanded her removal. The association of Chilean clinics (ACC) described her remarks as "extremely serious".

Molina's comments also offended wealthier Chilean families, and will have confirmed in the mind of some that the Bachelet administration is dangerously radical and opposed to wealth and privilege - exactly the sort of criticism President Bachelet has been doing her utmost to refute in recent months. Bachelet first announced a legislative initiative on 21 May last year to legalise therapeutic abortion in part to end dangerous backstreet operations. She does not want to ignite a class war.

Put in an untenable position, Molina resigned. Interviewed after her resignation, however, she stood by her comments. She also got widespread support on social networks for daring to call a spade a spade. And the mayor of Santiago, Carolina Tohá, a member of the ruling Nueva Mayoría coalition, praised her for speaking an unspoken truth: "We all know that legal prohibition doesn't prevent women with money from having safe abortions. I like Helia Molina's attitude towards inequality."

The deputy health minister, Jaime Burrows, has picked up the top job in an interim capacity, with Bachelet expected to appoint a permanent replacement, along with other cabinet changes, before her first anniversary in power on 11 March.

#### Historic labour reform

The timing of Molina's comment was particularly poor from the government's perspective, opening up another flank just the day after Bachelet had sent a contentious bill to congress to reform the 35-year-old labour code dating back to the dictatorship of General Augusto Pinochet (1973-1990). Bachelet has desperately sought to eschew polarising discourse but the labour reform has met with fierce hostility from the UDI and the private sector, which argue that it will conspire against job creation at a time when the economy needs a boost not a boot. GDP growth was 4% in 2013 but is projected by the central bank to reach just 1.7% in 2014.

## Argentine car sales down

Argentine automobile production output registered a drop of 22% during 2014, in comparison with the previous year. Sales hit 617,329 units, as exports declined 17.4% or 357,847 vehicles.

The reform would expand collective salary negotiations, strengthen trade unions, and end the current law enabling employers to replace employees on strike. The reform has the wholehearted support of the umbrella trade union Central Unitaria de Trabajadores (CUT), whose president Bárbara Figueroa described it as “a tremendous step towards social equality”. Figueroa added that “for the first time after 35 years we have started to dismantle the [Pinochet-era] labour code [...] which will change the face of our country”.

The government had promised the CUT that it would send the labour reform to congress before the end of the year and it could not have cut it much finer. “We are settling a debt with our workers,” Bachelet said upon signing the bill on 29 December. She said the bill aimed to improve job quality and productivity and create greater balance between employers and employees.

“Rather than a labour reform, it is a trade union reform,” UDI Deputy Patricio Melero responded. “We have serious and profound differences [with the bill],” Andrés Santa Cruz, the president of the Confederación de la Producción y el Comercio (CPC), said, maintaining that it did not address the real problems of workers and just gave more power to trade unions.

The resistance from the private sector to unpicking the Pinochet-era legislation could also owe to a concern that many more workers will become unionised now. Chile has one of the lowest rates of unionisation in Latin America, just 14%, because of the closure, persecution, torture, exile and murder of hundreds of union leaders during the Pinochet dictatorship.

## ARGENTINA | POLITICS

### Presidential candidates begin to make their moves

**With 10 months to go until general elections on 25 October, the main opposition coalition, the Frente Amplio UNEN (FAU), remains deeply fragmented and with no clear frontrunner for the presidential race. Stealing a march on his potential rivals, Hermes Binner, a former governor of Santa Fe and a deputy for the Partido Socialista Popular, launched his bid for the coalition’s nomination in early January, usually a month of limited political activity in Argentina.**

At least two other members of the centre-left FAU grouping have declared their intentions to run for the presidency. Julio Cobos, a former vice-president (2001-2011) from the Union Cívica Radical (UCR), and Alfonso Prat-Gay, a former central bank president (2002-2004). In an interview with *Infobae* a day after Binner declared his candidacy, Cobos acknowledged that the coalition was struggling for a political identity. As such, he ruled out working with more centre-right parties at a local level in order to challenge Kirchnerismo during the elections. “Parties need definition,” he said.

Cobos accepted that some in his own party would be happy to work with Sergio Massa, a former Kirchnerista, now outspoken opponent and hotly tipped presidential challenger for the Frente Renovador, or even Mauricio Macri, the centre-right mayor of Buenos Aires, but he himself ruled out inviting them to join the coalition. The UCR’s party conference is in March and Cobos said it would only be clear whether the party stays in the FAU coalition or goes its own way after then.

On 5 January, Binner held a rally in the Punta de Mogotes area of Mar del Plata, a popular coastal city during the summer holidays. Binner also ruled out joining forces with Massa or Macri, and defended the slightly ramshackle, broad-church approach of the FAU. “Today it is clear that no single party alone can rule Argentina,” he said, arguing that the coalition represented a viable “alternative”.

## Russian rouble's slide could impact Paraguay

Paraguay's economy grew by 4.4% in the third quarter of 2014, driven by construction, which expanded by 15.4% year-on-year, and the livestock, forestry and fishing sector, which grew by 7.2% year-on-year. This owed in large part to the resumption of meat exports to Chile and Russia after the restoration of Paraguay's status of free of foot and mouth disease (FMD) in November 2013. Amid acute currency difficulties, however, Russia is now looking for a discount on its meat imports from Paraguay.

Binner attacked those presidential candidates from outside the FAU, describing them as all "exactly the same", arguing that they were distinguished not by differences in policies but rather by party colours. As for the Kirchneristas, he argued that the only thing left-wing about President Cristina Fernández and her followers was their appetite for appropriating public goods with both hands.

Prat-Gay, the third FAU candidate to make his presidential intentions clear, agreed with Binner and Cobos on the need to agree a programme of government. But unlike his rivals, Prat-Gay said he was open to the idea of working with Massa or Macri.

### Other candidates

Binner's early move has forced other presidential hopefuls to spring into action. In the wake of Binner's rally, Massa revealed that he plans to formalise his candidacy on 7 February. Meanwhile, Daniel Scioli, the governor of Buenos Aires province who has an on-again off-again relationship with the government of President Fernández, has cut short his summer holidays to begin exploratory talks on a candidacy.

Many of Fernández's most fervent supporters are deeply mistrustful of Scioli: he was savagely criticised by some government loyalists earlier this week for attending an event hosted by *Clarín*, the media group long at loggerheads with the Fernández administration. Florencio Randazzo, the transport and interior minister who looks set to receive Fernández's blessing as her successor, relished the opportunity to attack his rival. Describing Scioli as a good figure to accompany, but not lead, the next phase of Argentina's political process, Randazzo described him as one of the candidates supported by the establishment. "The election will be defined by whether candidates are decided by politics or by corporations," Randazzo said.

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## TRACKING TRENDS

**PARAGUAY | Cartes puts faith in youth with new finance minister.** President Horacio Cartes named Santiago Peña as Paraguay's new finance minister on 2 January after the resignation of Germán Rojas. During the swearing-in ceremony, Peña, just 36, admitted he had been taken aback by his appointment to "such an important position at such a tender age". Peña worked for the International Monetary Fund (IMF) where he focused on African countries until 2012 when, at 33, he became a member of the board of directors of the central bank (BCP).

President Cartes said he had chosen Peña, "a brilliant young man", to succeed Rojas because he needed "an economist to accelerate economic development". Peña, however, is a member of the opposition Partido Liberal Radical Auténtico (PLRA) and while party allegiances carry little weight with the independent-minded Cartes there were some loud dissenting voices within the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC). One ANR-PC Senator, Julio César Velázquez, called Cartes "a traitor" for appointing Peña, arguing that it was "an insult" to all those who fought for the party's return to power.

While Rojas resigned for 'personal reasons', he had a fractious relationship with Cartes. He had also come under pressure from the ANR-PC to ramp up public spending in the run-up to municipal elections in November 2015. Peña did not give the impression that he would be any more willing to loosen the fiscal shackles, singling out fiscal stability and controlling inflation, which reached 4.2% in 2014 (up slightly on the 3.7% registered in 2013) among his main objectives.

Only time will tell whether Peña can preserve the backing of Cartes. At the age of 37, Martín Lousteau became Argentina's youngest-ever finance minister in December 2007 amid great expectations. Less than five months later he had been jettisoned by President Cristina Fernández.

**China offers lifeline – cost unknown**

**Critics of the ever-more unpopular President Nicolás Maduro are concerned that he has effectively sold Venezuela lock, stock and barrel to China in return for an emergency bailout.**

On 7 January in Beijing, President Maduro claimed that he had secured some US\$20bn in investment from China in support of social and infrastructure projects. A Chinese delegation will travel to Caracas between 17 and 19 January to discuss the details, he added. Maduro failed to say whether the funds related to projects already in the pipeline, or brand new ones, although he did say that China would boost its presence in the oil sector, prompting analysts to speculate that China is asking for more control of existing joint ventures in the Orinoco belt and may not be putting up new cash as such. That would be extremely bad news for Venezuela.

The reality is probably more nuanced – China cannot afford to let Venezuela go to the wall and so will prop it up as it sees fit, if only to protect its strategic assets, with Venezuela in no position to argue over the conditions. A Chinese statement was equally uninformative, saying that Beijing's financial cooperation with Venezuela was "solid" and stressing that China "understood the country's difficulties" at this time of falling oil prices.

Venezuela is already shipping over half a million (540,000) barrels of oil a day to China, about half of which is in payment for existing lending amounting to an estimated US\$45bn as of June 2014 - of which US\$29bn is estimated to be outstanding. It expects to increase this to 1m barrels a day in a few years' time – which without significant production increases from the current (stagnant) 2.9m b/d, may oblige a diversion of exports from other customers, including not only the US, one of few customers still paying market prices for Venezuelan oil, but also Central American and Caribbean discount oil clients under Petrocaribe.

**Rewarding "efficiency"**

President Maduro's rather vague comments contrasted with a detailed statement released by Ecuador's finance ministry on 7 January, clearly setting out the exact terms of US\$7.5bn in new lending for Ecuador from the Export-Import Bank of China (Eximbank), the China Development Bank, and the Bank of China, one of five state-owned commercial banks.

Celebrating the deal, Ecuador's President Rafael Correa, who is in Beijing with a delegation including Herrero and 16 other cabinet ministers, said that Ecuador's relations with China were "an example for Latin America because their interest in investing in Ecuador shows that we have been efficient".

Notably, the main tranche of the new lending, a US\$5.29bn Eximbank loan, comes on very favourable terms - at a 2% interest rate over a 30-year term. By way of comparison, Ecuador's US\$2bn sovereign bond issue in June 2014, the first since the Correa-instructed default in December 2008, carried a coupon of 7.95%. Eximbank also signed off on a US\$250m commercial loan in support of Ecuador's state-sponsored scheme to encourage consumers to switch from gas to electric induction ovens, while a US\$1.5bn loan from the China Development Bank – again for strategic infrastructure projects - seems to correspond to 15% of a US\$10bn Chinese credit line for the Community of Latin American and Caribbean States (Celac) due to be finalised this week at a China-Celac ministerial forum. Finally, the Bank of China agreed to US\$480m for schools and infrastructure.

**Metro money**

Ecuador's Finance Minister Fausto Herrero noted that some of the US\$1.5bn from the Celac loan could be put towards the Quito metro. The new opposition mayor of Quito, Mauricio Rodas, who took office in May 2014, has been stuck in a political row with the Correa government over funding for the metro project. Ahead of the 2017 general election in which both Correa and Rodas likely will face off against each other, delivery of the project in the capital is in the electoral interest of both men.

## Reality tolls

President Maduro has controversially ordered the re-imposition of 71 road tolls, to be administered by state governors in conjunction with the ministry of transport & public works. Maduro's predecessor, the late Hugo Chávez (1999-2013), in January 2008 decreed the elimination of the tolls with characteristic flourish, declaring them "a capitalist assault" on road users. The measure may be a financial sop to local governors ahead of the mid-term congressional elections due in September, but it will only actually be levied on some cargo lorries – most ordinary car drivers will escape.

Separately, Ecuador is also awaiting disbursement of US\$3.6bn in funding for the various hydro-electric plants being built in the country, which are due to come on stream from 2016 and are key to Correa's plans to slash domestic energy prices and free up oil for export.

Although the exact disbursement details of the new loans are not yet available, these funds will go some way towards Correa's pledge to ring-fence strategic investment despite the sharp impact on government finances of the downturn in oil prices. In contrast to Venezuela, dollarised Ecuador is unable to devalue and so has to rely on fiscal measures, the latest of which included a 4% cut in the 2015 budget to just under US\$35bn. While Ecuador will suffer in 2015, it is in a better position than Venezuela. The central bank reported real GDP growth of 3.4% year-on-year and 1.1% quarter-on-quarter in the third quarter, and while this marks a continuing slowdown, it is in stark contrast to three consecutive quarterly contractions in Venezuela to Q3 last year.

### And what of Ramírez?

Rafael Ramírez, Venezuela's former longstanding energy minister, president of the state oil company *Petróleos de Venezuela (Pdvsa)* and latterly foreign minister, has been unceremoniously dumped from the cabinet after over a decade at the top table. On 26 December, Ramírez was moved to a new post, Venezuela's envoy to the United Nations (UN), effective as of 1 January. Delcy Rodríguez, who was the information minister until October 2014, has replaced him. She is the sister of Jorge Rodríguez, the powerful mayor of the capital district of Libertador and a vocal hardliner in the ruling *Partido Unido Socialista de Venezuela (PSUV)*.

Ramírez, once touted as a future potential presidential contender, has seen his political fortunes ebb almost as quickly as the price of oil in the past six months. His latest humiliation comes after he went on a high-profile tour of Venezuela's Opec partners, plus Russia (which is not in Opec), ahead of the key Opec summit on 27 November 2014 in Vienna, Austria, but failed in his efforts to convince the cartel's Saudi leadership of the need for production cuts. President Maduro said Ramírez would "defend world peace" at the UN.

There has been all kinds of speculation about Ramírez's spectacular fall from grace, ranging from rumours of corruption to suspicion that he was elbowed out by hardliners opposed to his 'reformist' bent (last year he told foreign investors in the US and Europe that orthodox economic reforms were being prepared). Arguably, Ramírez will be happy to be in New York, away from all the chaos and internecine warfare within the Revolution at home.

### Economic reactivation plans still tricky to decipher

Venezuela's economic reactivation plans got underway on 3 January, apparently. President Maduro has remained vague on the exact details, but said that the central bank president, Nelson Merentes, and Finance Minister Rodolfo Marco Torres would announce changes to the country's fixed exchange rate system later this month. However, local economists have pointed up a new exchange-rate agreement ('Foreign Currency Agreement 32'), which appeared in the official gazette on 30 December. This allows the state oil company *Pdvsa* to sell foreign currency linked to energy cooperation agreements to the Venezuelan central bank at any of the three official exchange rates. Economists say that this could be particularly important in the context of any new Chinese lending for *Pdvsa*, with the potential to boost the company's cashflow significantly.

Elsewhere, Rocco Albisinni, an economist (to date vice-minister for the state and socialist economy at the economy ministry and formerly on the managerial board of the national development fund [*Fonden*]), has been drafted in to replace Alejandro Fleming at the helm of the *Centro Nacional de Comercio Exterior (Cencoex)*, which oversees the currency system. Fleming, in the cabinet since 2010, had been in the post less than a year (since April 2014). In conjunction with this, Maduro also announced a new 'integral system for the control of supplies', seemingly another new effort to control the distribution of essential goods across the country.



**Bilateral ceasefire**

“You don’t have any reason to fight against terrorism if terrorism is not fighting [you],” Shlomo Ben Ami, the former Israeli foreign minister who attended President Santos’s peace enclave commented. Ben Ami added that “If the moment for signing a bilateral ceasefire agreement is approaching, it’s logical for it to take place”. Despite Santos’s stated position on a bilateral ceasefire, he could instruct the military not to pursue its offensive against the Farc with too much vigour in the coming weeks in order to give the peace negotiators breathing space to move ahead with the thorny issues that remain in the peace process, such as the logistics of guerrilla disarmament.

**ELN joins peace process**

The leader of the Ejército de Liberación Nacional (ELN), ‘Gabino’ (Nicolás Rodríguez Bautista), announced on 7 January that Colombia’s second guerrilla group would join peace negotiations with the government and “would be willing to consider downing our arms”. President Juan Manuel Santos publicly pre-empted the announcement by urging the group to begin formal talks and join the indefinite unilateral ceasefire declared by the Fuerzas Armadas Revolucionarias de Colombia (Farc) on 20 December.

The ELN had revealed on its website on 29 December that it would make “a special announcement” to mark the 50<sup>th</sup> anniversary of its seizure of Simacota, a small village in the north-eastern department of Santander, on 7 January 1965, when it officially announced its presence. The only pertinent paragraph in Gabino’s speech followed a long preamble. “The government has said it’s willing to put an end to the conflict [...] We will attend this dialogue to examine the will of the government and the Colombian state. If we conclude that arms are no longer necessary, we would be willing to consider downing our arms,” he said.

The ELN’s use of the conditional tense fell short of Santos’s hopes for an immediate ceasefire, and the guerrilla group placed the onus on the government to make any peace process a success, but the announcement was a step in the right direction. The ELN has been holding exploratory peace talks with the government since January last year, but it has still not reached an agreement on what points should form the agenda for negotiations.

Santos held a three-day closed-door retreat in the Caribbean city of Cartagena de las Indias at the turn of the year to evaluate the state of the peace process. It was attended by the head of the government’s negotiating team with the Farc, Humberto de la Calle and other negotiators, as well as international peace advisers, including Shlomo Ben Ami, a former Israeli foreign minister; Jonathan Powell, a former chief of staff to British Prime Minister Tony Blair (1997-2007) who was intimately involved with the Northern Ireland peace process; Joaquín Villalobos, a former member of the left-wing guerrilla group Frente Farabundo Martí para la Liberación Nacional (FMLN), which is now in power in El Salvador just two decades after signing peace accords in the country; and William Ury, co-founder of Harvard University’s Program on Negotiation.

Santos emerged giving instructions to his peace negotiators to “accelerate” talks with the Farc and to push for formal dialogue to begin with the ELN. Santos said the Farc had so far honoured its indefinite unilateral ceasefire and that this would help to step up the pace of talks in Cuba, but he remained unyielding on the prospect of the government reciprocating with a ceasefire of its own because of the negative precedents and the widespread criticism such a gesture would provoke from the opposition led by his predecessor, Senator Alvaro Uribe (2002-2010).

The Farc responded by saying that Santos’s recognition of its adherence to the ceasefire as positive for the progress of the peace talks was “sensible”. But it urged Santos, as a corollary, to declare a military ceasefire and prevent similar misunderstandings to the seizure of Colombian general Rubén Darío Alzate late last year from derailing the process. Meanwhile, ‘Pastor Alape’ (Félix Antonio Muñoz), a member of the Farc secretariat on the negotiating team in Cuba, told the daily *El Colombiano* on 27 December that the guerrilla group was prepared to make further “gestures” to demonstrate its commitment to peace and to de-escalate the armed conflict, such as ejecting all recruits under the age of 15 from its ranks and defusing land mines.

## MAS completes line-up ahead of elections

### New heads of police and military

On 18 December President Morales swore in Army General Omar Salinas, as Bolivia's new commander-in-chief of the armed forces (FFAA), replacing Víctor Baldivieso Hache, whose one-year term had expired. The following day he swore in Luis Enrique Cerruto Miranda as the new head of the police, replacing Walter Villarpando, whose one-year term had ended. Of the two appointments, the choice of Cerruto attracted attention given that he was fired from his previous post of governor of the La Paz San Pedro prison in 2009 for permitting alleged irregularities.

President Evo Morales and his ruling Movimiento al Socialismo (MAS) have announced their final candidates ahead of the 29 March departmental and municipal elections. The choices attracting most attention were for opposition-controlled seats like the governorship of Beni (the one department out of Bolivia's nine which the MAS lost in the October 2014 general elections). Morales might have claimed that the process of picking candidates reflected the MAS's commitment to democracy but protests at the top-down imposition of candidates suggest another story.

The last of the MAS's gubernatorial candidates to be announced, Alex Ferrier, the president of Beni's departmental legislative assembly, was named on 19 December. He faces the toughest battle in the form of ex-Beni governor Ernesto Suárez who is running on the ticket of an alliance between the Unidad Nacional (UN), of cement magnate Samuel Doria Medina, and the Movimiento Demócrata Social (MDS) (comprising the rump of the former opposition governors). Suárez, who was forced to step down as Beni governor in May 2012 over what he claimed were trumped up corruption charges, ran as vice-president for the UN-MDS in October's general elections. While on 15 December Doria Medina declared the UN-MDS alliance formed ahead of the October election had "expired" at a national level, it remains intact in some parts of the country.

The MAS's other choice of candidate was for the mayoralty of Santa Cruz, the capital of the eponymous department, Bolivia's economic powerhouse. The MAS had unveiled Rolando Borda, the leader of the local workers' union, Central Obrera Departamental (COD) as its gubernatorial choice [WR-14-49] to face Morales's long-time rival, Rubén Costas, who is seeking re-election. Yet settling on a choice for the mayoral seat proved more complicated. The MAS's first pick - local TV presenter, Enrique Salazar - turned down its invitation to stand; its second choice, Jaime Santa Cruz, a civic leader and former managing director of steel manufacturer, Jindal Steel Bolivia, was disqualified on technical grounds. Finally on 28 December, the day before the deadline to register candidacies, the MAS confirmed that Reymi Ferreira, an academic and former dean of the Universidad Autónoma Gabriel René Moreno (UAGRM), would stand.

Local commentators consider the choice of Moreno as part of a wider tactic by the MAS - which traditionally does better in rural areas - of selecting academics for key municipal posts in order to attract the middle class vote. In the last local elections in 2010 (when the MAS won 228 of Bolivia's 339 municipalities and six departments), the ruling party won only two departmental capitals: Cobija (capital of Pando) and Cochabamba (capital of the eponymous department), along with El Alto. As well as Ferreira, other examples of academics selected to run include the former dean of the Universidad Mayor de San Simón (UMSS), Lucio Gonzáles, who is running for the Cochabamba mayoral seat.

### Excessive democracy?

Complaints that MAS candidates have been imposed from the top down without consulting local groups made national news at the start of the year after a group of some 300 coca producers (*cocaleros*) took to the streets in Shinahota, a municipality in Cochabamba on 31 December, demanding the release of three *cocaleros* who are being held in a local prison. The three have been accused by the attorney general's office of instigating delinquency, criminal association and attacks against the President. This, after protests took place on 23 December in rejection of the MAS's official choice of candidate - as announced by President Morales that day. On 30 December, Morales attributed the dispute to "excessive democracy" within the MAS which has claimed that social organisations like the Coordinadora Nacional por el Cambio (Conalcam), bringing together trade unionists and social activists, have played a key role in the process of selecting candidates.

### Bolivia banking on solid 2015 growth

On 4 January Bolivia's economy & finance minister, Luis Arce, predicted real GDP growth of 5.9% for this year, higher than the healthy 5.5% expected for 2014. Arce said that his view of the Bolivian economy was "very optimistic" and that his projections were based on the expectations that the country's key mining and hydrocarbons sectors will continue to have solid performances; and on the government's plans to invest US\$6.17bn this year, US\$4.5bn more than in 2014. However, Arce was also careful to point out that the persistent fall in international oil prices observed since the tail end of last year could affect Bolivia's economic performance and that the potential impact would be constantly analysed by his ministry over the next 12 months.

**ECUADOR | Falling foul of CAN once again.** On 6 January the general secretariat of the Andean community of nations (CAN) trade bloc issued a communiqué stating that Ecuador cannot unilaterally decide to introduce any economic safeguard measures against imports from fellow CAN members Colombia and Peru in order to protect its domestic market.

The communiqué came in response to an announcement by the government led by President Rafael Correa in late December that it would introduce temporary economic safeguard measures against Peruvian and Colombian products due to the sudden devaluation of Colombia's and Peru's national currencies. Arguing that Ecuador's dollarised domestic economy is vulnerable to volatility in the value of the currency of its neighbours and trading partners, the Ecuadorean government said that it had decided to introduce a 7% duty on Peruvian imports and a 21% duty on Colombian imports effective from 5 January.

The decision was immediately rejected by both the Peruvian and Colombian governments, both of which sent formal notes of protest to the CAN general secretariat. Peru's foreign trade & tourism ministry (Mincetur) said that while CAN guidelines do allow for a member State to request permission from the general secretariat to implement temporary economic safeguards whenever there are changes that significantly alter normal trade terms, introducing such measures without prior consultation went against CAN principles.

A Mincetur statement said that the move by the Ecuadorean government was "contrary to the spirit of dialogue... and the re-engineering of the sub-regional Andean integration process" being pursued by all CAN member States. Similarly, Colombia's ministry of trade, industry & tourism (MCIT) also emphatically rejected the "surprising and unconsulted" measures adopted by Ecuador that "do not adhere to the procedures established in the CAN framework, which govern trade between the two countries".

Meanwhile the CAN general secretariat was clear that Art. 98 of the 1969 Cartagena accords that gave rise to the CAN stipulates that no member State can adopt economic safeguard measures until the general secretariat issues a decision on the matter. The general secretariat added that it would now analyse the issue and look to issue a resolution in the next 30 days.

This is the second time that temporary measures adopted by the Ecuadorean government to protect its domestic market from what it considers to be unfair competition have been shot down by the CAN. Back in June 2014 the CAN's general secretariat ruled that some import restrictions introduced by the Correa government on goods from other CAN member countries were hindering trade within the bloc [WR-14-24], and it asked Ecuador to remove these or face potential sanctions.

**COLOMBIA | New minimum wage.** On 30 December the Colombian government issued a decree setting the national minimum wage at Col\$644,350 (US\$264.54) a month, a 4.6% increase, which became effective on 1 January. The decree was the end result of weeks of intense tri-partite negotiations between the government, trade unions and business lobby groups such as the national association of entrepreneurs (Andi) and the national trade council (CGN); and it represents a concession towards the business sector at the expense of the unions.

Following the pivotal support that the government's recently approved tax reform received from the private sector [WR-14-50], the government led by President Juan Manuel Santos was under pressure to offer concessions to the sector on this matter. Thus the agreed minimum wage increase is closer to the 4.5% proposal tabled by the business lobbies than to the no less than 5% increase suggested by the unions. The president of Andi, Bruce Mac Master, said that he was "satisfied" with the deal reached with the government as this would ensure the key objectives of promoting economic growth while also increasing domestic workers' purchasing power.

But these sentiments were not wholly shared by union leaders, with the president of the Central Unitaria de Trabajadores (CUT), Luis Alejandro Pedraza, complaining that the lower-than-expected increase will prevent workers from greatly improving their economic lot, pointing out that the majority of this increase would be eaten up by inflation, officially forecast at 3%. The fact that on 5 January Colombia's national statistics agency (Dane) revealed that year-end 2014 inflation was 3.66%, 1.72 percentage points higher than that registered in 2013 and higher than the 3.5% forecasts will give Pedraza's argument greater weight.

**Oaxaca visit**

President Peña Nieto visited the port of Salina Cruz in the state of Oaxaca on 2 January to launch a US\$10bn investment project to transport natural gas along a 247km pipeline from Jáltipan in the eastern state of Veracruz on the Gulf of Mexico to a refinery in Salina Cruz. Some 40% of this investment will go on the pipeline and 60% on as major revamp and upgrade of the Salina Cruz refinery. There were clashes nearby between the federal police and members of the teachers' union, Coordinadora Nacional de Trabajadores de la Educación (CNTE), whose bastion of support is in Oaxaca, protesting against the federal government's education reform.

**Peña Nieto takes up arms against sea of troubles**

President Enrique Peña Nieto sought to get off to a flying start to the New Year as he enters the most challenging few months of his mandate. He began 2015 on 4 January with a televised New Year message, which was more personal and more heartfelt than his usual addresses. While it was full of the customary goals and targets, these were for the main designed to enable ordinary Mexicans to feel the benefits of the reforms his government has pushed through congress. It was also, for once, unflinching in its acknowledgement of the manifold security challenges faced by Mexico even if the economy did dominate his discourse. Peña Nieto then visited the US on 5 and 6 January, receiving a fillip while meeting his US peer Barack Obama, who heaped the sort of praise on his reform-driven agenda that he no longer receives at home.

Just over two years into his six-year term, President Peña Nieto is wrestling with the far-reaching repercussions of the Iguala abductions and suspected killings; the fallout from conflict of interest scandals embroiling his wife, First Lady Angélica Rivera, and his right-hand man, Finance Minister Luis Videgaray; a faltering economy, and deteriorating popularity.

Peña Nieto's New Year's address was an attempt to relaunch his stuttering presidency. He described 2014 as "a year of contrasts" in which 11 structural reforms "designed to accelerate our country's development" were approved. He said it was also a difficult year because the violence of organised crime had lashed Mexico. He said that 2015 would see Mexicans start to reap the benefits of his government's reforms, and expressed his hope that security would be improved by means of the multi-pronged security plan he presented to congress in November, which the country's legislators have just got around to debating.

Peña Nieto announced the creation of three special economic zones in Mexico's most underdeveloped states with the aim of reactivating the economy, driving socio-economic development, creating employment, alleviating poverty and combating insecurity. These will be located in the Isthmus of Tehuantepec, linking the Pacific to the Gulf of Mexico in Oaxaca; Puerto Chiapas; and the municipalities by Puerto de Lázaro Cárdenas, in Michoacán and Guerrero. He added that agricultural activity in Chiapas, Guerrero and Oaxaca had started receiving tax breaks on 1 January. Peña Nieto also revealed major infrastructure projects calculated to spur the sluggish economy (*see sidebar*).

**Reaching out to ordinary Mexicans**

The other initiatives revealed by Peña Nieto looked like an attempt to win (or 'buy') back the hearts and minds of Mexicans, who have not felt any tangible benefits from his government's financial and fiscal reforms. Peña Nieto clearly had one eye on crucial legislative and gubernatorial elections in June in the face of a deteriorating personal approval rating and widespread disillusionment with his government.

Peña Nieto announced an end to government-imposed monthly petrol price increases (deeply unpopular as the rest of the world has been seeing significant decreases on rapidly declining oil prices), which he attributed to his government's energy reform. He promised that his government would expedite the construction of dignified homes so that poorer families "can have their own roof over their head", as well as provide free digital television signals for some

## **EZLN embraces Iguala cause**

On 1 January the Ejército Zapatista de Liberación Nacional (EZLN) marked the 21st anniversary of the launch of its rebellion in the south-western state of Chiapas by inviting the relatives of the 43 trainee students who were abducted in Iguala last September, to participate in its annual 'festival of resistance and rebellion against capitalism' as guests of honour. 'Subcomandante Moisés', the chief and spokesman of the EZLN, applauded the relatives of the missing students, saying that their campaigning for justice had provided an inspirational example for others to follow.

10m poor families, and eliminate in-country long-distance telephone charges (estimated to save Mexican households in the region of M\$20bn [US\$1.35bn] a year), which he linked to the government's telecommunications reform.

Conscious that much of the political disillusionment and social unrest comes from the younger generation, especially after last September's abduction and presumed massacre of the 43 trainee students in Iguala, Peña Nieto also announced the launch of a youth employment programme to provide credit support for young entrepreneurs between the age of 18 and 30 who want to launch a business or expand an existing one.

As with everything Peña Nieto announces it was all pretty regimented, with set initiatives and objectives, but he did also recognise that there was "a legitimate demand for justice [...] and greater transparency". Most interest will be reserved for his vague promise to crack down on corruption and impunity, especially in view of the shocking events in Iguala and the conflict of interest scandals involving Rivera and Videgaray.

## **White House meeting**

Peña Nieto could not escape Iguala during his visit to Washington on 5 January as demonstrators took to the streets outside the White House. President Obama briefly touched on the issue by remarking that, "we've been following [...] some of the tragic events surrounding the students whose lives were lost". Obama also reiterated his support for Mexico in its battle against organised crime: "Our commitment is to be a friend and supporter of Mexico in its efforts to eliminate the scourge of violence and the drug cartels that are responsible for so much tragedy inside of Mexico." Peña Nieto thanked him for US assistance.

Obama, meanwhile, said he had discussed with Peña Nieto "our efforts to fix our broken immigration system here in the United States and to strengthen our borders as well", and he made a point of thanking him for "Mexico's efforts in addressing the unaccompanied children who we saw spiking during the summer", adding that the number of child migrants had fallen "to much more manageable levels [...] in part because of strong efforts by Mexico." Peña Nieto described the executive action for immigration as "an act of justice [...] and among the population that will surely be benefited [...] there's a very big majority of Mexican citizens".

## **New supreme court president reaches out to public**

The supreme court of justice (SCJN) has elected Luis María Aguilar Morales to be the body's new president for the period of 2015 to 2018. He was chosen from six candidates in a closed vote after 32 rounds of voting over the course of more than five hours.

Aguilar Morales accepted the sash of office from the outgoing president, Juan Silva Meza, and immediately made a direct appeal to the "public, our society", reaffirming that the SCJN's "principal objective is respect for human rights, avoiding arbitrariness of any authority to its people and their rights". The remarks seemed expressly designed to try and restore the SCJN's slightly battered image, especially in view of the 'disappearance' of the 43 trainee students in Iguala, and public protests against impunity and lack of justice in Mexico.

Aguilar Morales, who first became a supreme court judge in 2009, began his legal career, somewhat serendipitously, in 1968, the year of the Tlatelolco massacre of up to 300 students and civilians by military and police.

The SCJN, composed of 11 judges, has come in for fierce criticism for lack of autonomy, and toeing the government line, most recently from the Left after it ruled on 30 October that it was unconstitutional for a referendum to be held on the country's seminal energy reform which opens the way for private investment in the oil industry and ends the 76-year monopoly of the state oil company, Petróleos Mexicanos (Pemex). The Left had gathered millions of signatures in support of a referendum on the matter.

**What does 2015 hold in store for Cubans?****Economic difficulties**

During its biannual session in late December, members of the Cuban parliament unanimously expressed their support for President Raúl Castro's decision to normalise relations with the US. With international attention focused on the renewal of bilateral diplomatic relations, Economy Minister Marino Murillo informed parliament that Cuba would not hit its growth target of 2.2% in 2014 and would need to use 30% of its export revenues in 2015 in order to pay off US\$5.7bn in foreign debt.

The Cuban Revolution turned 56 on 1 January. The momentous joint announcement two weeks earlier, on 17 December, that the US and Cuba would renew diplomatic relations has fuelled speculation about whether a gradual normalisation of ties over the coming year will prolong the Castro dictatorship or hasten its end. Cuba has begun to release 53 political prisoners as agreed but there is no sign that the regime is preparing to relax restrictions on individual liberties. On 30 December the police arrested several dissidents, as well as a Cuban-born artist, Tania Bruguera, ahead of her planned 'performance' that day to discuss the future of the island.

The Cuban authorities released Enrique Figuerola Miranda and twin brothers Diango and Bianco Vargas Martín in the eastern city of Santiago de Cuba on 7 January. The Vargas Martín brothers were arrested in December 2012 when just 16 and sentenced to 30 months in jail for disobeying authority and public disorder. They had five months of their sentences left to serve. Álvarez, 36, was imprisoned in 2012 on the same grounds after filming the arrest of several people during that year's carnival in Santiago de Cuba. The president of the Comisión Cubana de Derechos Humanos y Reconciliación Nacional (CCDHRN), Elizardo Sánchez, responded by saying, "It appears that the big release has begun".

US State Department spokesman Jen Psaki had revealed a day earlier that the Cuban government had released "some" of the 53 political prisoners it had promised to free. "We would like to see this completed in the near future," she added. The names of the 53 prisoners awaiting release are being withheld by both governments, which has prompted criticism from Republican hardliners.

While the fate of these political prisoners remains unresolved, the Cuban authorities rounded up a dozen dissidents on 30 December, including Reinaldo Escobar, the husband of the famous dissident blogger Yoani Sánchez, ahead of a planned performance of 'Tatlin's Whisper #6' by Bruguera, a Cuban national who mainly lives and works abroad. This would have involved setting up a podium in Havana's Plaza de la Revolución and giving members of the public a microphone and one minute each to discuss the future for Cuba after the thaw in US-Cuban relations. Bruguera was also arrested the morning before the performance was scheduled to take place, accused of attempting to create a public disturbance. She was detained and released on three separate occasions. The other dissidents were also released.

Days later Bruguera, who could yet face legal charges, revealed that she was cancelling her membership of the union of Cuban artists and writers (UNEAC), which had accused her of "political provocation" and "opportunism", and was returning an arts award she had received in 2002 from the culture ministry.

US Republican Senator Marco Rubio (Florida) responded by saying that "The Castro regime's latest acts of repression against political dissidents in Cuba make a mockery of President [Barack] Obama's new US-Cuba policy." During a meeting with his Mexican peer Enrique Peña Nieto in the White House on 5 January President Obama pointed out that while he was seeking "a more constructive policy" with Cuba, this would continue "to emphasise human rights and democracy and political freedom". Obama said that the US would "insist that those topics are on the agenda" at April's Summit of the Americas in Panama, which the US has said it will attend along with Cuba. Peña Nieto promised that Mexico would be "a tireless supporter" of the rapprochement.

## New Year's resolution to political crisis looks unlikely

Contrary to opposition fears, President Michel Martelly will not rule by presidential decree on 12 January when the entire 99-member lower chamber and a further 10 seats in the 30-member senate (adding to an existing 10) were due to have become vacant. This, after a deal struck on 29 December between the executive, opposition controlled-legislature and judiciary to extend legislators' terms. The resignation of Prime Minister Laurent Lamothe last month [WR-14-50] raised hopes for an end to the crisis caused by the government's failure to hold long-overdue legislative (and municipal) elections. However the legislature's refusal to ratify Martelly's choice of a permanent replacement for Lamothe illustrates the fragility of the deal and unlikelihood of a swift end to the impasse.

In line with the recommendations of a presidential advisory committee tasked with finding an end to the political crisis, Lamothe resigned on 14 December. Also in line with these recommendations, on 18 December all nine members of the provisional electoral council (CEP) – which President Martelly set up last May and which the opposition maintains is unconstitutional – resigned.

Optimism regarding an end to the impasse was further bolstered with the 29 December deal extending the terms of all sitting national deputies until 24 April and all senators until 9 September. The three branches of government also pledged to work together to get a new electoral law approved by 12 January. The announcement was welcomed by the international community which has been closely following developments in Haiti: in a statement released two days later, Sandra Honoré, the head of the United Nations (UN) Stabilisation Mission in Haiti (Minustah) described the agreement as “encouraging” and a “promising gesture of good will that should help resolve the political crisis”.

Yet these hopes have proven premature, as illustrated by President Martelly's choice of a replacement for Lamothe who, as per the 1987 constitution, must be ratified by an absolute majority in both the senate and lower chamber. That the legislature has the final word over the appointment of the prime minister has caused problems in the past - not just for Martelly (whose Repons Peyizan has just three seats in the entire legislature) – but also his predecessors.

Having appointed Health Minister Florence Duperval Guillaume on 21 December to replace Lamothe on an interim basis (an appointment lasting 30 days), four days later Martelly nominated Evans Paul, a member of the opposition Konvansyon Inite Demokratik (KID), as Lamothe's permanent replacement. A former mayor of Port-au-Prince (1990-1995), Paul is a controversial choice. He gained political prominence in the 1990s as an ally of former president Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004) from whom he later split, becoming one of his most vocal critics. He then ran unsuccessfully for president in 2006 for the KID, receiving 2.5% of the vote.

Martelly's announcement regarding Paul prompted immediate objections from the senate president, Simon Dieuseul (of the opposition Lavni), as well as the 'G-6' bloc of six opposition senators (who have refused to approve necessary electoral legislation in protest at the CEP) – not least questioning the fact that Paul was a member of the presidential advisory committee which called for Lamothe to resign. On 5 January the legislature's first attempt at ratifying Paul failed after just 70 deputies and 13 senators turned up for the vote on local press reports, meaning that quorum was not reached. With the 12 January deadline to approve new electoral legislation fast approaching and Martelly and the opposition looking to have once again dug in their heels, the political crisis – which continues to attract international concern (*see sidebar*) – looks set to drag on.

### UNSC visit to Haiti

On 5 January Cristian Barros Melet, the current president of the United Nations Security Council (UNSC) and Chile's ambassador to the UN, told reporters that a UNSC delegation will visit Haiti between 23 and 25 January. Melet stressed that elections must take place “in order to normalise the legislative process and the presidential process”.

### Quotes of the week

“Mexico cannot continue as it is, the country must keep changing for the better.”

*Mexico's President Enrique Peña Nieto.*

“One way or another our economy will be transformed over the next four years. [Our plans] will allow us to handle this transformation with the smallest amount of sacrifice possible and it will give the best result.”

*Brazil's new finance minister, Joaquim Levy.*

“[Our relations with China] are an example for the whole of Latin America because its interest in investing in Ecuador shows that we have been efficient.”

*Ecuador's President Rafael Correa.*

### Uruguay's First Lady to run for election in Montevideo

Uruguay's president-elect Tabaré Vázquez will face a much tougher task preserving unity within the ruling left-wing coalition Frente Amplio (FA) when he takes office on 1 March than he did during his first term in office (2005-2010). On 30 December the Movimiento de Participación Popular (MPP), the largest faction within the coalition, served notice of its intent to make its presence felt during his second term. The MPP, which sits further to the Left than Vázquez, confirmed that Senator Lucía Topolansky, the wife of President José Mujica, would run for intendant of Montevideo, the second most important elected post in Uruguay, in the departmental and municipal elections on 10 May this year. The FA had already chosen a candidate representing the more moderate wing of the coalition, from which Vázquez hails, to run in Montevideo.

Topolansky said the support for her candidacy within the MPP had been “almost unanimous”, leaving her with little choice but to take up the challenge. The electoral campaign will begin on 1 March, the same day her husband will hand over the presidential sash to Vázquez.

The FA has controlled Montevideo since 1990. This would be the first time since its formation in 1971 that more than one candidate from the coalition has competed for the post. Senator Daniel Martínez of the Partido Socialista (PS), to which Vázquez belonged until 2008 and remains close, has already been given the nod to stand for the FA.

Topolansky, politically more radical than Mujica, was one of the most outspoken critics last month of Vázquez's cabinet appointments, which the MPP contended left it underrepresented [WR-14-49]. The MPP formed a bloc of eight parties within the FA in 2013 along with the Partido Comunista de Uruguay (PCU) to force “a move to the Left” in FA policymaking. This bloc won 56% of the FA vote in last October's elections, and will have nine of the 15 FA senators and a majority of FA deputies in the lower chamber. If it also succeeds in placing Topolansky in charge of Montevideo it would be in a strong position to dictate terms to Vázquez and his moderate incoming economy minister Danilo Astori, namely to pursue a more ‘progressive’ socio-economic agenda.

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