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## Nisman's death rocks Argentina's Fernández

**"It is very distressing to live in a country where any hypothesis, however absurd it may seem, is found plausible." Speaking at a rally convened to demand justice of the authorities in their investigation into the sudden death of special prosecutor Alberto Nisman, Leonardo Jmelnitzky, the head of the Amia Jewish association, articulated clearly the febrile atmosphere of rumour and conspiracy theory that has pervaded Argentine public discourse since the discovery of Nisman's body in the bathroom of his apartment on Sunday evening.**

Appointed to the Amia investigation unit in 2004 by then-president Néstor Kirchner, two years later Nisman formally accused Hizbollah, the Shi'ite militia, of carrying out the 1994 attack on the Amia building with Iranian backing. Last week, Nisman returned suddenly from a holiday in Europe, in the middle of a judicial recess, to present a 300-page report accusing the Argentine government of attempting to cover up Iranian involvement in the bombing in order to improve commercial ties [WR-15-02]. Days later, he was found dead, with a single gunshot wound to the head, a .22 calibre pistol by his side.

### The allegations

No one has ever been prosecuted over the Amia bombing, which killed 85 people and left hundreds injured. After almost two decades of investigative effort undermined by gross incompetence on the part of the Argentine authorities, the government of President Cristina Fernández signed a memorandum of understanding with Iran in 2013 to set up a truth commission to examine the evidence. The agreement was heavily criticised by Argentina's Jewish community as well as the opposition in congress, with both arguing that Iranian participation made an impartial investigation unlikely. Last year, an Argentine court declared the agreement unconstitutional: the government is in the process of challenging that ruling.

In Nisman's report, mainly based on phone intercepts, he claims the genesis for this deal began in 2011, when Argentina's foreign minister Héctor Timerman met Ali Akbar Salehi, his former counterpart in Iran. According to Nisman's claims, Timerman told the Iranians that Argentina was no longer interested in securing convictions for those involved, and wished to improve trade relations by selling wheat in exchange for oil. From that point on, according to Nisman, Argentine intelligence officials and some senior government officials sought to "construct a false hypothesis, based on new evidence, to incriminate new authors". Nisman also makes it clear the deal fell apart due principally to Iranian frustrations that the Interpol 'Red Notices' against their officials would not be lifted.

## Fernández response

Central to Alberto Nisman's allegations is the work of Antonio 'Jaime' Stiusso, a former senior intelligence official, who was removed from his post in a shake-up of the Intelligence Secretariat (SI) late last year. President Fernández wondered, if Stiusso was his principal source, why Nisman had mistakenly identified two alleged conduits for the Argentine-Iranian secret negotiations as intelligence officers, when they had never worked for the SI, and indeed, one had even been prosecuted for impersonating an intelligence officer.

## Unexplained death

Nisman was promptly branded a "liar" by Timerman, and the government was setting to work to undermine his thesis when the news of his death arrived, the day before he was due to address a closed-door session of congress. In a political atmosphere rarely short of conspiracy theories, Nisman's mysterious death has prompted a tide of speculation by both the government and the opposition.

Why, for instance, did Nisman ask to borrow a gun the day before his death, when he already had two weapons registered to his name? What was the security secretary, Sergio Berni, doing at Nisman's apartment just hours after his body was found? To whom does the footprint and the fingerprint found in a secret access route to Nisman's apartment belong? Why was there no gunpowder residue on Nisman's hand if he killed himself? If he was planning on killing himself, why did he write a shopping list for the following week? Why did he break off his holiday with his teenage daughter to publish his report during a recess? What did he mean when he told a journalist the day before his death that, "I could come out of this dead"?

Into this atmosphere President Fernández added her own thoughts. In her initial response, posted on Facebook, she mused about the mindset of someone about to commit suicide, but then immediately questioned whether he had in fact committed suicide. Rather than offer any kind of condolences, Fernández accused Nisman of being part of a plot to "divert, lie, cover-up and confuse", largely at the instigation of the Clarín media group. Fernández also defended the agreement with Iran as "the only way to unlock the investigation".

On 22 January, Fernández issued a long essay on her website, expanding on her initial post, and picking apart Nisman's report (see sidebar). She pointed out that Ronald Noble, the former head of Interpol, had contradicted Nisman's claim that Argentina had sought to remove the 'Red Notices' (in effect, arrest warrants) against Iranian officials accused of involvement. Fernández also said Argentina had never purchased oil from Iran and that two-way trade had decreased since the memorandum of understanding was signed in 2013. (Still, overall trade volumes between Argentina and Iran are up significantly since 2010.)

In her second post, Fernández was more explicit in her questioning of Nisman's "apparent suicide". She said Nisman's accusations and death were part of a wider conspiracy. "Nisman didn't know and probably never knew. The true operation against this government was the death of the prosecutor after accusing the President, her foreign minister and general secretary of La Cámpora (a pro-government youth group) of covering up for the Iranians accused of the terrorist attack on Amia," she wrote.

The fact no one has ever been prosecuted for the Amia attack bodes ill for a swift and convincing clarification of the circumstances into Nisman's death. Politically, the opposition, while reluctant to take Nisman's claims at face value have decried Fernández's response. Margarita Stolbizer, the leader of GEN, one of the parties in the leftist Frente Amplio UNEN coalition, pointed out that Argentina had held three days of mourning for the death of Venezuela's Hugo Chávez, but that Fernández had failed to send even a card of condolence to Nisman's family.

Maurico Macri, the centre-right opposition mayor of Buenos Aires, attended a rally organised by the Jewish community on 21 January. Sergio Massa, the likely presidential candidate for the Frente Renovador (FR), called for Timerman to resign, not over the new allegations, but for his role in facilitating the memorandum of understanding with Iran. While speculation is bound to continue for months to come, into the role of the government, the competing factions within the intelligence services, and the judiciary, opposition politicians are likely to focus on the disastrous impact of the Fernández government on Argentina's international relations in the run-up to October's general elections.

## UDI thirsting for revenge

The ultra-conservative opposition Unión Demócrata Independiente (UDI) has borne the brunt of the censure for illegal electoral campaign financing by the investment bank Penta. The scandal recently compelled the president of the UDI, Ernesto Silva, to issue a public apology but his contrition was offset by several calculated swipes at the ruling left-wing Nueva Mayoría coalition which, he contended, was every bit as guilty as the UDI of irregular campaign financing. The UDI pounced on revelations this week of a fundraising meal for the Nueva Mayoría on a luxury yacht in New York in September 2013 in the middle of the general election campaign. President Michelle Bachelet was forced to interrupt a visit to the US to issue a statement denying that anything untoward occurred aboard the yacht.

Flanked by the UDI leadership, Silva issued a public apology on 9 January on behalf of the party for the irregularities committed by some of its politicians. Silva's comments followed admissions by Laurence Golborne, the former presidential candidate for the opposition coalition Alianza in 2013 who pulled out of the contest; UDI Senator Ena Von Baer; and Pablo Wagner, deputy mining minister under former president Sebastián Piñera (2010-2014), that they had received irregular campaign financing from Penta. Wagner received an additional salary from Penta while working for the government and is being investigated by the attorney general's office for bribery and asset laundering.

Senior UDI senator Iván Moreira also admitted to requesting funds for his campaign from Penta. The papers published an email from Moreira written on 25 September 2013 to Hugo Bravo, then a Penta executive: "As we enter the home straight is there any fuel coupon? Let me know. My eternal gratitude." This received a similarly cryptic response in the affirmative from Bravo. It was Bravo, fighting a legal case for wrongful dismissal, that first revealed Penta had financed the electoral campaigns of (mainly) UDI politicians. It did so with money from phantom business transactions for which they filed fake invoices in order to reduce taxable income and evade the electoral law on campaign finance.

Despite all of these damaging revelations, Silva's contrition was quickly followed by an appeal not to "focus only on one political sector and ignore the fact that these practices are generalised". He denounced "double standards and hypocrisy," an implicit reference to President Bachelet's public works minister, Alberto Undurraga, who unsuccessfully ran for the senate for the Democracia Cristiana (DC), part of the ruling coalition. Undurraga has also been implicated in the Penta scandal. For now, Bachelet is standing by her man.

### 'Yacht-gate'

The UDI also gleefully seized upon what the media has already dubbed 'Yacht-gate', spawned by 'Penta-gate'. This followed local media reports this week that Heraldo Muñoz, now Bachelet's foreign minister, had organised a fundraising meal aboard a luxury yacht in New York in September 2013. Muñoz, who was then Director for Latin America and the Caribbean at the United Nations (UN) Development Programme (UNDP), has said that all of those who donated money on the yacht were Chilean but the organiser of the event, Mario Paredes, told a local TV station that the attendees included other nationalities (Chilean law forbids foreigners funding national electoral campaigns).

The episode provided an unwelcome distraction for Bachelet, who had to deliver a statement from New York, which she was visiting as Chile assumed the presidency of the UN Security Council (UNSC). Bachelet insisted that

### 'Yacht-gate'

The opposition UDI is weighing up whether to summon Foreign Minister Heraldo Muñoz to congress. The government spokesman, Álvaro Elizalde, accused the UDI of "feeling alone and cornered" and "looking for a draw". Rodrigo Peñailillo, President Bachelet's campaign chief, now interior minister (who doubles as cabinet chief in Chile) said, "I emphatically reject any irregularity".

## First Brazilian executed

Marco Archer Cardoso Moreira became the first Brazilian to be executed by a foreign government on 18 January, when he was put to death by firing squad in Indonesia following a conviction on drug-trafficking charges. A last-minute appeal for clemency by President Rousseff fell on deaf ears. Though the death penalty has not been used in Brazil for well over 100 years, Archer's death prompted a degree of introspection in the Brazilian media over the lack of rigour in its own criminal justice system.

everything that occurred on the yacht was in strict accordance with the law. Bachelet, who has rejected any illegal financing of her re-election campaign in 2013, said that there were only 20 attendees and that the media had vastly inflated the sums received. The UDI is demanding their names.

The government, meanwhile, is calling on the UDI to demonstrate that its contrition goes beyond mere rhetoric by voting in favour of a bill Bachelet sent to congress last December to make campaign financing more transparent. This would regulate campaign financing much more strictly, outlawing anonymous donations from private companies and restricting contributions from individuals.

### Chile's binominal system definitively terminated

"This is a very important day for Chile and a great day for our democracy," President Michelle Bachelet said on 21 January in response to the definitive passage through congress of a reform striking down the binominal electoral system established in 1989 as the dictatorship of General Augusto Pinochet (1973-1990) came to an end. On 20 January the chamber of deputies approved the reform for a second time after the senate had made slight modifications a week earlier. Bachelet will now promulgate the law which will take effect in time for the next legislative elections in 2017 with a greater emphasis on proportional representation. The size of the lower chamber of congress will increase from 120 to 155 deputies and the senate from 38 to 50 senators.

The votes in favour of the reform came from the ruling left-wing Nueva Mayoría coalition, independents and Amplitud, a splinter group from the centre-right opposition Renovación Nacional (RN) formed this time last year. Nicolás Monckeberg, the head of the RN bloc in the lower chamber, said his party had been all for reforming the binominal system but the government had created a system "to elect more deputies with fewer votes costing the country more money – not a better system". UDI deputy, Juan Antonio Coloma, accused the government of making "a gigantic diagnostic error".

## BRAZIL | ECONOMY

### Consumers hit by package of tax hikes

While investors in Brazil, and the country's largely anti-government press, continue to cheer for Joaquim Levy, the new finance minister, he is about to become considerably less popular among ordinary Brazilians. At the beginning of this week, Levy announced a raft of tax-rising measures, on fuel, imports, cosmetics and banking transactions. Critics noted that despite his promises that the pain of fiscal retrenchment would be shared, he has yet to tap obvious sources of income, such as share dividends, or take any measures to address Brazil's regressive tax system. At the World Economic Forum (WEF) in Davos on 21 January, Levy admitted that Brazil could experience a quarter of recession this year, but argued it was important for international investors to know that Brazil was not working only for the short term.

Among the measures announced on 19 January, designed to raise an extra R\$20bn (US\$7.69bn) in government revenue, Levy reintroduced the Cide tax on fuel, which had been zeroed since 2012, though initially the increase is only valid for the next 90 days. The PIS/Confins tax on fuel, which helps finance social security, will also be increased. Levy also raised the IOF, a transaction tax on credit to individuals, from 1.5% to 3%. Imported goods will now be taxed at 11.75%, up from 9.25%. All of these increases will have a direct impact on the Brazilian consumer and on inflation. Some analysts are now predicting inflation of 7% or more for 2015.

With this in mind, the monetary policy committee of the central bank, Copom, voted unanimously to raise the Selic, the benchmark interest rate, by

## Alckmin acknowledges rationing

São Paulo has been experiencing a crisis in its water supply for over the past year. Unsurprisingly, however, in Geraldo Alckmin's campaign for re-election as governor, he was reluctant to acknowledge the scale of the crisis. Safely re-elected, on 14 January, Alckmin admitted that rationing was effectively in place in the state, on the guidance of the national water agency. Alckmin's comments come a week after a judge blocked his proposal for a levy on excess water consumption.

a further 50 basis points on 21 January. The move was widely anticipated by private sector economists, and helps to bolster yet further the government's new found predilection for balancing the books. The Selic is now at its highest rate since July 2011.

Alexandre Tombini, the central bank president, has indicated he wants to end 2016 with inflation running at 4.5%. Currently running at just over 6.5%, there may be more pain to come if the economic team sticks to its target.

The International Monetary Fund (IMF) predicts a gloomy few years for Brazil. Its last forecast, in October 2014, put growth for 2015 at 1.4%, above the government's own, more modest, assessment that 0.8% was more likely. Now, the IMF has cut its forecast drastically, and expects growth of just 0.3% this year.

The economic policies of President Dilma Rousseff's government are starting to come under fire from her own side. On 20 January, the Fundação Perseu Abramo, the think-tank set up by the ruling left-wing Partido dos Trabalhadores (PT) in 1996, criticised Rousseff's "conservative and orthodox economic policy-making".

Given Levy's friendship with Rousseff's rival for the presidency, Aécio Neves, such criticism is to be expected, but Rousseff's other ministerial picks seem almost designed to alienate the remnants of her left-wing support base. In the latest snub to the environmentalist and landless campaigners that once formed the PT's ideological bedrock, Rousseff has accepted an offer to be the maid-of-honour to Katia Abreu, the agriculture minister nicknamed the "chainsaw queen", and one of a handful of ministers to be booed during the President's second inauguration.

### Energy crisis

If the prospect of rising prices and taxes were not unpalatable enough, Brazil is currently facing an energy crisis in the midst of a severe heatwave. On 20 January, Brazil was obliged to import energy from Argentina during a period of peak demand, following a blackout a day earlier that hit 11 states and the federal district.

With reservoir levels across Brazil at record lows, lower even, on average, than in 2001, when rolling blackouts had a major impact on Brazilian productivity, states in the wealthy south-east of the country are struggling with supplies. Eduardo Braga, the energy & mines minister, insisted that the blackouts were due to a failure in transmission and not something more fundamental. Still, he also called on God to bring Brazil some rain (*see sidebar*).

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## TRACKING TRENDS

**ARGENTINA | IMF predicts contraction.** In its World Economic Outlook (WEO) released on 19 January, the International Monetary Fund (IMF) predicted that Argentina's economy would contract by 1.3% in 2015. It reported that while Argentina, as a net petroleum importer, will benefit from the cheaper cost of oil in the short-term, in the long-run this will raise questions about the viability of its hard-to-tap resources, such as the Vaca Muerta project.

**ARGENTINA | Attorney-general defended.** Senior politicians from the ruling Frente para la Victoria (FPV) held a press conference last week to defend the work of Alejandra Gils Carbó, the attorney-general. Gils Carbó's attempt to appoint 16 alternate prosecutors was blocked by a federal judge who argued the penal code which permitted their appointment had not yet been implemented. Attempting to ensure the legacy of *Kirchnerismo* in the Argentine judiciary is likely to prove a significant battleground between the government and the opposition in the run-up to this October's elections.

**Humala struggles to fend off spying accusations**

"I have never betrayed the democratic commitment that prompted me to enter politics," President Ollanta Humala said during an impromptu televised address on 19 January. Humala reacted swiftly to reassure the public after a series of media revelations that agents in the national intelligence agency (Dini) had spied on opposition politicians and even Vice-President Marisol Espinoza. But this is neither the first time his government has been accused of adopting the practices that characterised the authoritarian rule of former president Alberto Fujimori (1990-2000) nor the first time he has promised transparent investigations to get to the bottom of such incidents.

The magazine *Correo Semanal* published photographs and videos on 15 January as evidence of alleged spying by the Dini on former prime minister Jorge del Castillo and former interior minister Miguel Hidalgo, of the Partido Aprista Peruano (PAP), as well as a businessman, Jorge Mur Campoverde. "I was sure I was the victim of wiretapping but not permanent surveillance," Del Castillo said in response to the media report (see sidebar).

The following day *Correo* produced further documents and videos it had obtained showing that Deputy Natalie Condori, a dissident from the ruling Gana Perú who left the coalition's ranks last July, had been followed and filmed two months later. It maintained that the spying was carried out to obtain information that could later be used to discredit and silence her. This tactic of discovering the weak points of adversaries was perfected by Fujimori's right-hand man, Vladimiro Montesinos, who ran a spy network, wiretapping and producing thousands of so-called 'vladivideos' to blackmail opposition politicians, judges and media owners who refused to be bribed.

The notorious national intelligence service (SIN) headed by Montesinos was disbanded but the legacy of this misrule lives on in the form of an acute suspicion of the authorities. It would take very little to convince the public that the Dini might be conducting similar operations, which is one reason why President Humala felt compelled to appear on television.

Another reason why was the media revelation that hit his government on 18 January. The investigative programme 'Sin Medias Tintas' on *Frecuencia Latina* alleged that the Dini had spied on none other than Vice-President Espinoza. It claimed that on 3 November last year Espinoza's bodyguard had approached a car with tinted windows outside her house, in which were two men who explained their presence by saying they were providing additional security for the US embassy, located 10 blocks away, because of the threat of a terrorist attack. They were later taken to the police station because they did not have a driving licence between them.

It seems unlikely that two intelligence agents could have displayed such a level of ineptitude but the person who turned up at the police station to intercede on their behalf was Johnny Bravo Sánchez, who took over this time last year as head of the Módulo de Inteligencia Operativa (Modinope). The two men, Johnny Huamán Espinoza and Raúl Pianto Cuevas, belonged to this unit, which was created in 2013 as part of the overhaul of the Dini, including beefing up operational activities that practically disappeared after the SIN's disbandment.

Espinoza is more than just a powerless Vice-President; she is also a congressional deputy with an independent streak who enjoys the support of

**Preserving democracy**

After attending a tribute in congress to former interim president Valentín Paniagua (2000-2001), who put Peru back on an even keel after the Fujimori years, Jorge Del Castillo said "With Valentín we fought on the streets to restore democracy. Now, 15 years later, are some politickers going to embroil us in another unacceptable situation for Peru?"

## **Hurtado denied refugee status**

On 19 November last year Panama's Vice-President and foreign minister, Isabel De Saint Malo de Alvarado, revealed that her government had no idea of the whereabouts of María del Pilar Hurtado, the former director of the DAS. Hurtado made the request for refugee status at the tail end of last year. She has now run out of options in Panama and, if found, should be deported to Colombia. Her eventual trial would cause further tension between the Santos administration and Alvaro Uribe's opposition Centro Democrático (CD) but it would remove an impediment to closer ties between Colombia and Panama.

disillusioned politicians on the Left of the ruling coalition. If her movements were being tracked to keep tabs on dissidents, it would confirm the extent of the factionalism and distrust within the fractured Gana Perú in congress.

Humala said on television that his government would not "approve any act that imperils the principles of democracy" because "its values are above any government". Flanked by some of his cabinet ministers to give the impression of unity within the ruling coalition, Humala also emphatically denied that Espinoza had been the victim of spying. The prime minister, Ana Jara, however, was more equivocal. She tweeted "There is no policy or government directive in this sense! But if any parallel faction exists, it will be eradicated". But who might be running this shadowy parallel structure?

Humala maintained during his address that "we are keener than anyone to clarify these accusations". He added: "This is why I have ordered the complete and immediate opening of the Dini to investigations by congress and the attorney general's office." Although Humala promised "the most drastic sanctions" if anything untoward is discovered, intelligence services are by their nature secretive and it is difficult to know how much classified information really will be made available during these investigations.

These sorts of incident are not unprecedented under Humala. In June 2013, Fernando Rospigliosi, a journalist and former interior minister under Alejandro Toledo (2001-2006), claimed that Humala had authorised the wiretapping of opponents. He made his claim after a local policeman arrested an intelligence agent, Wendy Toro, for suspiciously sniffing around a building in Miraflores, Lima, where Rospigliosi and two other former cabinet members worked. Humala insisted then that "The practices of the 1990s must remain there," vehemently denying that spying on opponents was a state policy and ordering the Dini to clarify the matter, saying there must be "no doubts whatsoever".

But doubts persisted. In November 2013, the media revealed that a former adviser to Montesinos, Óscar López Meneses, had been granted police protection for the previous 18 months: López Meneses had been convicted to a four-year suspended prison sentence in 2012 for wiretapping and illegal possession of arms. Humala blamed "corrupt elements" in the police, emphatically distancing his government from any links to López Meneses, but the promised clarification of the scandal has not been forthcoming.

### **Colombia's Santos dealing with spying scandals of his own**

Peru's President Ollanta Humala is not alone in having to contend with frequent spying scandals. Colombia's President Juan Manuel Santos is still wrestling with the legacy of illegal wiretappings by the intelligence agency (DAS), which he gave "a Christian burial" in 2011, with several cases of illegal spying discovered in relation to the peace talks between his government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Cuba.

Luis Alfonso Hoyos, the campaign manager for presidential candidate Oscar Iván Zuluaga last year, left the country this week as more evidence emerged of his masterminding the illegal wiretapping of the peace talks by the arrested hacker Andrés Sepúlveda to discover compromising information with which to attack Santos. Zuluaga was running for the main opposition right-wing Centro Democrático (CD) of former president Alvaro Uribe (2002-2010).

Hoyos is the fifth former official from the Uribe administrations to flee the country. María del Pilar Hurtado, the director of the DAS from 2007 to 2009 who fled to Panama in 2010, saw her request for refugee status rejected by Panama's national office for the care of refugees (Onpar) on 12 January. Hurtado is wanted in Colombia to face charges of embezzlement, abuse of her position, criminal conspiracy and illicit violation of communications, specifically spying on magistrates, journalists, human rights activists and Uribe's political adversaries (*see sidebar*).

**Economic dialogue**

President Maduro said the Estado Mayor Económico, the cabinet ministers with responsibility for economic policy, would shortly form a “special team of dialogue and debate” to discuss Venezuela’s economic challenges. He said economists and national and international experts would be invited to take part. Whether the government will be prepared to implement the ideas of whoever attends is a moot point. Maduro seems bereft of ideas himself. He said the official multi-tiered exchange rate system would remain as one rate was unviable and would be “collective suicide for the economy”. The strongest rate fixed at BF6.3/US\$1 for ‘priority imports’, like food and medicine, will be maintained, while the Sicad 1 and Sicad 2 rates which trade at BF12/US\$1 and BF50/US\$1 by means of central bank auctions will be merged.

**Maduro’s speech falls short of expectations**

“2015 will be the year of victory, peace and economic rebirth”, President Nicolás Maduro declared during the presentation of his state-of-the-nation address to the national assembly on 21 January, six days later than it was due. Any victory is likely to be pyrrhic and peace and economic rebirth must seem distant prospects for even the most optimistic supporters of the Bolivarian Revolution. Maduro offered nothing beyond a few tweaks to the government’s economic model during a speech which coincided with the International Monetary Fund (IMF) slashing last October’s economic forecast for Venezuela from a 1% to a 7% contraction in 2015 as a result of the precipitate fall in oil prices on the grounds that each US\$10 fall per barrel of oil equated to a 3.5% decline in GDP. The political opposition, meanwhile, is poised to unveil a ‘plan of action’ which points to the intensification of protests against the Maduro administration.

President Maduro had nothing of substance to report back from a foreign tour of China, Russia and the Middle East, which took up much of January, suggesting that even he had a tough time working out how to put a positive gloss on a trip widely reported as a failure [WR-15-02]. With no significant economic reforms tabled either beyond a further stealth devaluation, the most eye-catching announcement during Maduro’s three-hour speech was a proposal to send the assembly a bill to increase dirt cheap petrol prices, significantly cheaper than water per litre. While this makes sense economically, it is very risky politically: the last time it was attempted it provided the catalyst for the deadly 1989 *caracazo* protests which ultimately paved the way for the Bolivarian Revolution.

Maduro did announce a 15% increase to the minimum wage and pensions to take effect on 1 February but with inflation running at 63% this looks like a token gesture. He also promised to inaugurate 30 new depots of the Pdval food processor and distributor in the coming weeks to attempt to mitigate the acute shortages. He said he understood the annoyance of the public forced to join enormous queues for food and other basic goods but stressed that this was part of the “economic war” being waged against his government to topple him, and that “induced inflation” was part of this.

This “economic war” is being led by Henrique Capriles Radonski, a figurehead for the opposition Mesa de la Unidad Democrática (MUD), the minister of communes and social movements, Elías Jaua, said this week. Jaua warned the Venezuelan people not to heed the call of the Sirens to “abandon the Bolivarian Revolution and you will have all the products you want”. The MUD has been in permanent session all week to discuss the proposals put forward by Capriles, who said last week that the time had come for street protests against the government [WR-15-02], and other senior opposition figures.

The executive secretary of the MUD, Jesús Torrealba, promised a big event to mark the 57<sup>th</sup> anniversary of the overthrow of the dictator Marcos Pérez Jiménez on 23 January (when the government is also planning to rally supporters for an annual march). Torrealba said this would include “a very special message to the nation” including “peaceful and democratic solutions” to the most urgent crises. He said the event would function like “a kind of national assembly”, attended by all the MUD mayors, governors and deputies, during which electoral accords ahead of this September’s legislative elections would be announced; a programme of marches; and details of planned “activism” in poor areas of the country.

The MUD has also called a ‘march of the empty pot against hunger and for change’ in Caracas and other cities on 24 January against a government which it said was intent only on “deepening a model which has led the country to ruin”.



## Peru's Chinese imports

China displaced the US as the main source of imports in Peru in 2014, according to a report published by the Lima chamber of commerce (CCL) on 19 January. The report, compiled using data from the CCL's foreign trade centre (CCEX), found that Peru imported US\$8.9bn worth of goods (mostly electric appliances) from China. This represents 21.1% of total Peruvian imports, marginally higher than the value of US imports (20.9%), which are mostly oil derivative products, machinery and heavy vehicles. However, the CCL report pointed out that overall imports fell to US\$42.37bn last year, a 2.4% drop following four consecutive years of growth, on the back of a sharp fall in heavy vehicle imports.

## TRACKING TRENDS

**COLOMBIA | Avoiding energy rationing.** On 15 January Colombia's President Juan Manuel Santos inaugurated the 'Sogamoso' hydroelectric plant in Santander department, which the his government says will allow it to avoid having to ration energy provision during this year's 'El Niño' climatic phenomenon that has already produced severe droughts in some parts of Colombia.

The US\$1.75bn Sogamoso plant has an installed capacity of 820 megawatts (MW), which represents approximately 8% of the country's electricity demand. Pointedly Santos said that the coming on-stream of the plant would help ensure electricity supplies to the country's north-eastern Caribbean region, which has been affected by a major heat wave and lack of rains since the tail end of last year. However, Santos said that Colombians would still have to continue "making an effort to save energy and water... because El Niño forces us to".

The Sogamoso dam has also created the Topocoro reservoir, which with a total size of 4.8m cubic metres is Colombia's largest. Last year the Santos government set aside Col\$92bn (US\$38.4m) for local governments in the Caribbean region to use to help alleviate the effects of this year's El Niño via the construction of new water wells, amongst other things.

**ECUADOR-PERU | Labour cooperation.** On 19 January the labour ministers of Ecuador and Peru, Fredy Otárola and Carlos Marx Carrasco respectively, issued a joint statement during a meeting they held in Lima announcing that they had signed a memorandum of understanding (MOU) paving the way for a new information and data exchange cooperation agreement. Cooperation will cover areas of "common interest" such as best practices, and the application of work quotas for disabled individuals.

Otárola said that the agreement marks the "consolidation of bilateral ties in the area of employment". For his part, Carrasco said that he was interested in learning more about Peru's 'one-stop employment promotion agency', which acts as a centre that brings together jobseekers and employers at a national level.

The MOU was signed within the framework of the eighth Peru-Ecuador bilateral cabinet meeting held on 30 October 2014.

**PERU | Tax take up.** On 15 January Peru's national tax agency (Sunat) revealed that the total tax revenue in 2014 was PEN95.38bn (US\$31.82bn), 3.4% higher than in the previous year and equal to 16.5% of GDP. The result is surprising as it is encouraging for the government led by President Ollanta Humala given that the Peru's economy is still suffering from a marked economic slowdown, with a year-end 2014 growth forecast of 2.6%, much lower than the 5.8% registered in 2013.

Peru's economy has been slowing as a result of the sustained fall in international commodity prices, in particular copper and gold. This has led to lower levels of activity in Peru's key mining sector, which has in turn derived in lower overall levels of investment. However, despite this, the Sunat report points out that tax revenues were up last year on the back of higher income tax intake, which suggests that the economic slowdown has yet to affect domestic wage levels and the domestic labour market. According to Sunat income tax earnings increased by 6.5% to PEN40.15m (US\$13.35m). Meanwhile, domestic sales tax earnings were also up by 2% to PEN50.35m.

The higher tax take will come as a relief for the Humala administration, which has introduced a series of measures designed to stimulate the economy including lowering income tax thresholds, increasing public sector investment and promoting private sector investment.

As part of these efforts, on 18 January César Chanamé, the deputy health minister, announced that the government would be investing PEN8.4bn (US\$2.8bn) over the next three years to improve the country's hospital infrastructure and add more than 7,000 new hospital beds.

According to Chanamé the investment projects will be carried out either directly by the State, through public-private partnerships (PPPs) or via the 'works for taxes scheme', which allows private firms to carry out infrastructure projects identified as a priority by the government in order to later claim income tax breaks equivalent to the total amount of money invested in the project.

Last year public sector investment in Peru reached PEN32.90bn (US\$11.34bn), 13.2% more than in 2013 and a new record figure.

**Long wait over for Mexican truckers****Big uptake?**

The Teamsters Union's fear of a big increase in competition might not be realised. While being forced to offload goods to warehouses just inside the US border for US trucks to take onwards added time and money to Mexican deliveries, the long wait crossing the border due to congestion and security checks has meant that several Mexican long-haul trucking companies have been reluctant to send their top trucks to the US just to sit in a queue. Anything other than a top truck, however, is unlikely to pass the rigorous US safety audits and inspections.

It took 21 years after the signing of the North American Free Trade Agreement (Nafta) but Mexican truckers will soon be able to operate in the US rather than having to unload their cargo at the border to be taken on to its destination in US trucks. Under the 1994 Nafta treaty, Texas, California, New Mexico, and Arizona were meant to be opened up to Mexican trucks by December 1995 and all constraints on their free circulation lifted by 2000. But, invoking fears about low Mexican compliance with safety and environmental standards, the US Teamsters union won support from protectionist politicians in Congress to prevent the liberalisation of the US road haulage market. The policy change should sharpen Mexico's competitive edge in its capacity to make goods available to the US supply chain.

The US Transportation Secretary, Anthony Foxx, confirmed on 15 January that the country had begun accepting applications from Mexican trucking companies seeking authorisation for long-haul, cross-border transportation under Nafta. "Opening the door to a safe cross-border trucking system with Mexico is a major step forward in strengthening our relationship with the nation's third largest trading partner, and in meeting our obligations under Nafta," Foxx said. The Mexican communications and transport ministry (SCT) celebrated the announcement, saying that it would contribute to the creation of "a modern, agile, efficient border, at the same time as strengthening the productive integration of Mexico and the US".

According to US Department of Transportation figures for 2013, 66% of annual two-way trade between the US and Mexico, some US\$335bn, is handled by trucks. The change is likely to lower the cost of Mexican products in the US and cut the time taken to deliver them. The previous system, which involved Mexican trucks delivering to warehouses just inside the US border, where the goods were then transferred to US trucks for the onwards journey across the US, added between 3% and 5% to delivery costs.

The policy change will also bring a definitive end to tariffs worth some US\$2.3bn a year levied by Mexico on US goods and agricultural products under a favourable ruling by a Nafta dispute settlement panel in 2001. Mexico first applied these in 2009 after a pilot programme launched by the administration of President George W Bush in 2007, enabling 25 Mexican carriers to operate 100 trucks within the US, was halted prematurely. The Mexicans suspended 50% of these tariffs after another pilot programme began in 2011. Involving 15 Mexican trucking companies crossing the border more than 28,000 times, and undergoing more than 5,500 safety inspections by US officials, this programme concluded last October. Foxx said that data from the programme had "proved that Mexican carriers demonstrate a level of safety at least as high as their American and Canadian counterparts".

The Teamsters union was ostensibly motivated by a concern that Mexican trucks were subject to inadequate regulation and that their drivers had poor safety records. The data collated through the pilot programme disproves this argument which was always spurious anyway because Nafta requires Mexican truckers to be certified, along with their companies, and held to the same safety and pollution standards as US trucks. In fact Mexican long-haul trucking companies wanting to operate in the US will now have to pass a safety audit and their trucks a rigorous safety inspection every 90 days for at least four years.

**BMV joins Mila**

On 21 January Mexico's stock market (BMV) announced its formal incorporation into the integrated Latin American Market (Mila). The BMV has thus become the fourth national stock market to join Mila following the respective stock markets of Peru, Chile and Colombia, which founded Mila in 2010. The BMV's integration into Mila significantly strengthens the regional stock market by raising the total value of its traded shares to US\$1.1trn, from US\$87bn previously, and officially making it Latin America's largest stock market. It also helps to cement the financial integration of the four Pacific Alliance countries. BMV president, Jaime Ruiz Sacristán, said that the BMV's integration into Mila represented allows for "the real integration of financial markets, where one can offer shares through Mila in any of the four countries".

**MEXICO | Bond issue.** The government announced last week that it has issued US\$2bn in bonds in international markets at a low cost. According to the finance ministry (SHCP), the 10-year and 30-year US dollar-denominated bonds respectively offered yields of 3.56% and 4.60%.

The transactions were an exercise in debt liability management as it allowed the Mexico to extend its debt maturity horizon to 2046 while offering record low yields to investors. The SHCP noted that the new 10-year bond offered "the lowest rate of return in Mexico's history", with its coupon set to increase to 3.60%. The 30-year bonds also offered the lowest yield for bonds of their kind yet, with the coupon set to increase to just 4.60% upon maturity.

The SHCP noted that the issue achieved the double objective of securing low-cost financing and extending Mexico's sovereign debt horizon by setting a new benchmark that will establish the yield curve for Mexican letters in international markets as well as consolidate the new *pari passu* clause and collective action clauses (CAC) now included in all Mexican bonds.

The finance minister, Luis Videgaray, highlighted that "with today's issue and the one carried out on 18 November 2014, the federal government has covered a little over 50% of the external financing required in 2015 from international financial markets".

**MEXICO | Record low unemployment.** President Enrique Peña Nieto announced on 16 January that, according to official figures, the national unemployment rate in December 2014 was just 3.76%, the lowest rate registered in the country in the past seven years. Peña Nieto said that the figures from the national statistics institute (Inegi) were "consistent" with those of the social security institute (IMSS), which show that a record 714,000 formal jobs were created in Mexico last year. Peña Nieto added that these encouraging figures demonstrated that Mexico's domestic economy "is showing signs of greater dynamism".

The dynamism of Mexico's labour market was reinforced by a report released by the Organisation for Economic Cooperation and Development (OECD) on 19 January. The 'Education at a Glance 2015' report found that the proportion of young people (aged 15-29) in Mexico that were not in work or in education (ninis) in 2013 (the last year with fully available data) was 22.3%, 2.7 percentage points lower than that registered in 2011, when the OECD first compiled such data for Mexico.

The result puts Mexico five places from the bottom of the OECD table, above Turkey (31.3%), Greece (28.5%), Spain (26.8%) and Italy (26.1%). However, the OECD report also points out that job opportunities for workers with little or no professional qualifications fell by over 7% between 2000 and 2013. This is problematic given that the majority of young people in Mexico (52%) still do not complete their secondary education.

**MEXICO | IMF, UN forecast moderate recovery.** On 19 January the International Monetary Fund (IMF) released the latest instalment of its World Economic Outlook (WEO) in which it forecast that Mexico's economy would post real economic growth of 3.2% this year, higher than the 2.1% that the IMF has pencilled in for 2014.

The IMF's projection is not too dissimilar from that presented in the United Nations (UN)'s own World Economic Situation and Prospects (WESP) 2015 report, which predicts that Mexico's GDP growth this year will be of 3.4%. The WESP report points out that Mexico's projected growth will make it one of the driving economic forces in Latin America this year given that some of the other main economies, such as Brazil and Argentina, are expected to have "lower growth".

Though positive, the projections from the international organisations were actually revised downwards on their previous growth forecasts for Mexico (of 0.3 percentage points in the case of the IMF and 0.6 in the case of the UN). Both organisations have attributed this to lower global growth (forecast at 3.1% by the UN and 3.5% by the IMF) on the back of lower economic activity in China, the Eurozone, Russia and in some of the main oil producing countries - this a consequence of the drastic fall in international oil prices.

The WESP report attributes its more positive outlook for Mexico compared to the rest of Latin America on the greater expectations that large public investment projects and fiscal and monetary stimuli announced by the government for this year will have a positive impact on the domestic economy. The IMF points out that Mexico's economy will benefit from the fact that the US is the only large economy that it now expects to have a better year in 2015, with a growth forecast of 3.6%, 0.5 percentage points higher than in its previous WEO.

Last week the World Bank calculated that Mexico's economy had grown by 2.2% in 2014 and forecast 2015 growth of 3.3%, above the 1.3% average for Latin America.

**US officials descend on Havana en masse**

Havana was awash with US officials (and very excited US media) ahead of the arrival of the US Assistant Secretary of State for Western Hemisphere Affairs, Roberta Jacobson, the highest ranking US official to visit Cuba in decades.

On 21 January the head of North American affairs at Cuba's foreign ministry (Minrex), Josefina Vidal, said that the first meeting between Cuban and US diplomats since the historic agreement struck in December 2014 to restore bilateral relations after 53 years [WR-14-50] had been both "constructive" and "positive".

Vidal's remarks were echoed by Jacobson's number two, Edward Alex Lee, who headed up the US delegation. Yet differences between the two delegations over the issue up for discussion – migration policy – underlined the fact that the process will not be without complications.

A high-ranking Cuban diplomat who wished to remain anonymous told some of the many assembled foreign media, "Cuba isn't normalising relations with the United States. Cuba is re-establishing diplomatic relations with the US. The process of normalisation is much longer and deeper". Among the Cuban demands is its removal from the US State Department's list of countries that sponsor terrorism, for example.

During the migration meeting Cuban officials reiterated their demand that the US government revise the 1966 Cuba Adjustment Act (CAA), which allows illegal Cuban migrants arriving on US territory to obtain expedited US residency after a year. A 1995 revision of the CCA in the wake of the 'rafters' crisis gave rise to the US 'wet-feet, dry-feet' policy, whereby the US agreed with Cuba that it would no longer admit those found at sea. Henceforth, Cubans detained at sea were repatriated, while those making it onto US land continued to be given leave to remain.

Cuba has long complained that the CCA as a policy promotes illegal migration and people trafficking from Cuba into the US. US authorities intercepted 3,722 Cubans at sea in 2014, almost double the number intercepted in 2012. An estimated 25,000 Cubans were allowed into the US in 2014 under the CCA. That is on top of the 20,000 Cubans given regular visas each year.

Nonetheless, Lee said that, "we explained to the Cuban government that our government is completely committed to upholding the Cuban Adjustment Act, that the sets of migration-related policies that are colloquially known as wet foot/dry foot very much remain in effect."

Cuba also wants to see the back of the Cuban Medical Professional Parole Program, which encourages Cuban doctors and nurses working in third countries to defect to the US. "This is a policy totally inconsistent with the present bilateral context," Vidal declared, adding that it was a "reprehensible brain drain practice".

While US officials in Havana dismissed the Cuban complaints, they reiterated their commitment to working with the government to promote "legal, safe and orderly" migration by discussing other ways to better coordinate actions with Cuban officials to tackle illegal migration.

**DeLaurentis gets busy**

The Chief of Mission of the US Interests Section (USINT) in Havana (formerly the US embassy) is Jeffrey DeLaurentis, who was appointed in August 2014. He had previously served two other stints in Havana, as consular officer between 1991 and 93, and Political-Economic Section Chief from 1999 to 2002.

## Russian ship raises eyebrows

A Russian intelligence warship, the Viktor Leonov CCB-175, docked in Havana on 20 January, on the eve of the arrival of the US delegation. Cuban officials did not announce the visit but when questioned said it was routine and had been scheduled for months. The ship previously docked in Havana in February and March last year. US officials took a live-and-let-live approach, and said it was “not unusual” and “not alarming”.

Lee noted that “the productive and collaborative nature of today’s talks prove that, despite clear and persistent differences, there is an opportunity to advance on common interests”. Vidal was a little cooler. She repeated the mantra that “Cuba aspires to have normal relations with the US based on respect”.

Days earlier, on 17 January, a delegation of six US Democrat Party legislators led by Senator Patrick J. Leahy arrived in Cuba for talks with senior government officials including Foreign Minister Bruno Rodríguez; the local Roman Catholic hierarchy led by the Archbishop of Havana, Cardinal Jaime Ortega; representatives of Cuban civil society; and several locally-stationed ambassadors, including those from Mexico, Spain, Norway and Colombia.

Senator Leahy, a regular visitor to Cuba in recent years, has been closely involved in the efforts to restore diplomatic relations and in December he accompanied home Alan Gross, the US government contractor convicted of acts against the Cuban State released from a Havana jail as part of the historic deal to renew diplomatic ties.

Leahy signalled that the US government might now begin to push Cuban officials towards allowing more political and civil freedoms on the island. “We are going this time to discuss our expectations, and the Cubans’ expectations, for the normalization of relations,” Leahy said in an advisory statement released by his office. “We want to explore opportunities for greater cooperation, and to encourage Cuban officials to address issues of real concern to the American people and to their representatives in Congress,” it added.

The statement went on to say that the congressional delegation wanted to “seek clarity from Cubans on what they envision normalisation to look like, going beyond past rote responses such as ‘end the embargo’” and to “help develop a sense of what Cuba and the United States are prepared to do to make a constructive relationship possible”. The delegates would “impress upon Cuban leaders the importance of concrete results and positive momentum”.

Accompanying Leahy on his three-day trip were Senators Richard J. Durbin (Illinois), Debbie Stabenow (Michigan) and Sheldon Whitehouse (Rhode Island); and Representatives Chris Van Hollen (Maryland) and Peter Welch (Vermont). Leahy also hails from Vermont, a key US agriculture state.

The US agricultural lobby, one of the top suppliers of food and grains to Cuba under one of the few exceptions to the US trade embargo on Cuba, strongly advocates an end to what the Cubans refer to as “the US blockade”.

The Democrat governor of New York state, Andrew M. Cuomo, is also planning a trade mission to Cuba, according to his office.

### Obama pressures congress on embargo

“In Cuba, we are ending a policy that was long past its expiration date. When what you’re doing doesn’t work for fifty years, it’s time to try something new,” US President Barack Obama said during his State of the Union address on 20 January.

“Our shift in Cuba policy has the potential to end a legacy of mistrust in our hemisphere; removes a phony excuse for restrictions in Cuba; stands up for democratic values; and extends the hand of friendship to the Cuban people. And this year, Congress should begin the work of ending the embargo. As His Holiness, Pope Francis, has said, diplomacy is the work of ‘small steps’. These small steps have added up to new hope for the future in Cuba.”

**Pérez Molina presents balance sheet**

President Otto Pérez Molina last week presented his penultimate annual report. He claimed progress in the three areas his right-wing Partido Patriota (PP) government had identified as priorities upon taking office for a four-year term in January 2012: crime, food insecurity and boosting economic growth & competitiveness. Yet doubts persist regarding these achievements.

As regards boosting the economy and productivity, President Pérez Molina cited preliminary figures which suggest domestic GDP grew 4% in 2014 – well above the 1.1% average for Latin America (on figures he cites from the UN Economic Commission for Latin America and the Caribbean) and up from 3.7% in 2013 and 3% in 2012. He boasted that Guatemala's exports in the first 10 months of 2014 totalled US\$9bn, up 7.8% on the same period in 2013, while foreign direct investment (FDI) reached US\$1.37bn in 2014, up 6.1% on 2013. Pérez Molina also pointed to the latest (September 2014) World Economic Forum (WEF) Global Competitiveness Report, in which Guatemala's ranking improved from 86 (out of 144 countries) in 2013 to 78 in 2014.

However, the government has failed as regards another key economy-related pledge – to boost the tax take as a percentage of GDP. Pérez Molina said that the tax take reached Q\$48.97bn (US\$6.4bn) in 2014, up 5.7% on 2013, but this is still only 10.8% of GDP – one of the lowest in Central America. This again illustrates the failure of the ground-breaking fiscal reform he passed in 2012 which, he notes in his annual report, remains paralysed, with 65 constitutional appeals filed against it.

As well as security (*see sidebar*), Pérez Molina also boasted progress vis-à-vis another key aim – tackling food insecurity which, upon taking office, he pledged to reduce by 10% over his mandate via government programmes like 'Plan Hambre Cero' (PHC). Guatemala leads Latin America in the prevalence of child malnutrition, which affects nearly half of children under the age of five on 2014 data from the UN Development Programme. In his balance sheet he said that between 2012 and 2013 – the latest figures he gave – there was a 1.7% reduction in chronic malnutrition in 166 targeted municipalities (out of a total of 333). The latest (December 2014) report by the UN Food and Agriculture Organisation (FAO), however, showed that Guatemala still registered the second worst rate of undernourishment in Central America (14.3% of the population between 2012 and 2014), just slightly less than the 14.7% registered between 2009 and 2011).

## HAITI | POLITICS

**'Consensus cabinet' fails to convince**

With the opposition-dominated legislature now dissolved, President Michel Martelly has sworn in Evans Paul as his new prime minister along with a new cabinet. One of the legislature's final acts was to reject Paul – a controversial figure in Haitian politics. Martelly's claims of setting up a "consensus government" are ringing hollow: Paul is already on dubious ground constitutionally (the 1987 constitution stipulates that the prime minister must be ratified by both houses of parliament); and opposition parties reject the cabinet changes as "cosmetic".

On 17 January, less than a week after parliament ceased to function [WR-15-02], Martelly swore in Paul, of the opposition Konvansyon Inite Demokratik (KID) and a former mayor of Port-au-Prince (1990-1995), as his new prime minister. First nominated by Martelly on 25 December, the new prime minister is a controversial choice. An ex-ally of populist former president

**Security gains**

In his address to the nation on 14 January, President Pérez Molina pointed to security gains. He said that through his hard-line 'mano dura' repressive policy, Guatemala's homicide rate was 31 per 100,000 inhabitants in 2014, below 34 registered in both 2013 and 2012 and 39 per 100,000 inhabitants in 2011, the year before he took office. His balance sheet also highlighted progress vis-à-vis another key security objective – boosting the national police (PNC) – with 4,881 new PNC officials graduating in 2014, bringing the total size of the PNC to over 35,000 by February 2015 up from 22,000 when he took office.

## US backing

The US continues to back President Michel Martelly. On 16 January US Vice-President Joe Biden telephoned Martelly reiterating US support. According to a White House press release the “Vice President commended President Martelly for his efforts to reach a negotiated agreement with the Haitian parliament and political parties to allow Haiti to hold elections. The Vice President recognized that President Martelly made several important concessions in order to reach consensus, and expressed disappointment that Haiti’s Parliament did not pass an electoral law before lapsing on January 12. The Vice President reiterated the support of the United States and the international community as President Martelly works to organize timely elections this year to permit Haitians to exercise their democratic right to choose their representatives.”

Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004), Paul split from the former president becoming one of his most prominent critics. Unsurprisingly, Aristide’s party, Fanmi Lavalas, has joined other parties, like the Mouvement Patriotique de l’Opposition Démocratique (Mopod), in rejecting Paul and is threatening further unrest. This, after protests staged in Port-au-Prince on 16 January were attended by “several thousand” on local press reports.

Martelly’s cabinet reshuffle – in which seven of the 18 ministerial posts were unchanged (*see table*) – would also appear to undermine his claims of ‘consensus’. Just one of the new choices (Victor Benoît, labour & social affairs) is opposition-aligned (he is one of the leaders of the Fusion des Socio-Démocrates), while the newly created post of ‘minister delegate in charge of electoral issues’ went to the director general of the national lottery, Jean Fritz Jean-Louis, a close Martelly ally, which is unlikely to boost opposition confidence in the electoral process.

A couple of the changes signal a reversal of a cabinet reshuffle Martelly undertook in May 2014 as part of the ‘El Rancho’ accord he inked with the legislature and political parties [WR-14-12] aimed at quelling political tensions. For example the trade & industry minister, Wilson Laleau, will resume his former role as economy & finance minister, replacing respected economist Marie Carmelle Jean Marie. Laleau, in turn, is replaced by the former planning minister, Hervey Day. While not a ministerial post, Martelly’s appointment of Carel Alexandre as secretary of public security was also rejected by opposition figures like former senate president Simon Desras (Lavni). A former chief of security at the presidential palace, Alexandre was forced to step down in 2012 amid pressure from local human rights groups like Réseau National de Défense des Droits Humains (RNDDH) over alleged links to corrupt former police officials.

The other appointment which raised eyebrows was that of Yves Germain Joseph, general secretary to the presidency, who took the key portfolio of planning & foreign cooperation (filling the vacancy left by Laurent Lamothe who held the post along with the premiership before stepping down in December 2014). Germain was reportedly close to former president Jean-Claude ‘Baby Doc’ Duvalier (1971-1986) whose unexpected death in October 2014 of a heart attack added further uncertainty to the political scenario [WR-14-40].

New cabinet	
Duly Brutus*	Foreign affairs
Jacques Rousseau*	Public works, transport & communication
Nesmy Manigat*	Education
Florence Duperval Guillaume*	Health
Stéphanie Balmir Villedrouin*	Tourism
Jean François Thomas*	Agriculture
Lener Renaud*	Defense
Pierre Richard Casimir	Justice & public security
Yves Germain Joseph	Planning & foreign cooperation
Victor Benoît	Labour & social affairs
Ariel Henry	Interior & territorial collectives
Dithny Joan Raton	Culture
Rotchild François Jr.	Communications
Yves Rose Morquette	Women’s rights
Olicier Pieriche	Minister in charge of Haitians living abroad
Jean Fritz Jean-Louis	Minister delegate in charge of electoral issues
Hervey Day	Trade & industry
Wilson Laleau	Economy & finance
*unchanged	

### Quotes of the week

“Spies that were not spies. Questions converted into certainties. Suicide (which I am convinced) was not suicide.”

*Argentina’s President Cristina Fernández responds on her blog to the discovery of the body of special prosecutor Alberto Nisman hours before he was due to testify against her government for allegedly conspiring to protect Iranian officials blamed for the Amia terrorist attack.*

“I am convinced that our people, with one voice will say ‘yes, we can’, above all obstacles, all difficulties and all conspiracies, evil and perversity.”

*Venezuela’s President Nicolás Maduro.*

“The biggest problem with the general is his poor use of language; he might be a great soldier but he is not a good linguist.”

*Ecuador’s President Rafael Correa responds to a book published by retired General Eduardo González on 30-S.*

### Ecuador’s Correa looks beyond oil

Ecuador’s President Rafael Correa hailed the “revolution of innovation” to mark his eighth anniversary in power on 15 January in Yachay, the City of Knowledge located in Urcuquí in the northern province of Imbabura, which he considers to be “the most important project” of his ‘Citizens’ Revolution’. Correa, who is undertaking what he calls a complete overhaul of the productive matrix to reduce Ecuador’s reliance on oil, acknowledged that “the year ahead will be difficult, but we will not fail,” in reference to the precipitate fall in oil prices, while describing knowledge as “an inexhaustible source of development”.

Correa, who was attending the start of a four-day Innopolis science and technology fair entitled ‘Knowledge is Freedom’ in Yachay, said that his government’s strategy was to change an economy dependent on extractive industries to one supported by human talent, technology and innovation. He praised the “transformative power of science and technology”, adding that, in Ecuador’s case, this was “science for society, not privatised science for the benefit of big corporations”.

Yachay includes a university dedicated to technological investigation, the Universidad de Investigación de Tecnología Experimental (UITE), which was inaugurated last year, as well as 19 research centres, in areas such as life sciences, renewable energy, nanotechnology, and information technology, with the aim of putting Ecuador at the cutting edge of innovation.

There was far less local media focus on Yachay and Correa’s achievements during his eight years at the helm, however, than there was on the day when it all came closest to unravelling: 30 September 2010, known simply as 30-S. This was the day when Correa was holed up in a military hospital after a police mutiny, which his government is still trying to prove was a coup attempt. Correa devoted a huge chunk of his weekend broadcast to discussing a book entitled ‘Testimonio de un comandante’ (‘Testimony of a commander’) just published by retired General Eduardo González, former head of the joint command of the armed forces. González argues that Correa had been “detained” rather than “taken hostage” and dismisses the idea that it was a coup attempt. Correa accused González of representing “the old guard” with “retrograde and troglodytic views”.



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