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## Mexico's Peña Nieto might be losing his mojo

Mexico's President Enrique Peña Nieto has bowed to political pressure to remove a close ally, Alfredo Castillo, as federal commissioner for the western state of Michoacán. He took the decision ostensibly for the sake of democracy: with elections coming up on 7 June for state governor and congress as well as 113 mayoral contests, opposition politicians were publicly raising questions about Castillo's excessive influence. But there is a sense that mounting conflict of interest scandals are emasculating Peña Nieto, whose governance has transmuted from strong and pro-active, dictating the agenda with myriad reform initiatives to modernise Mexico, to weak and reactive; no longer shaping events but being shaped by them.

The interior minister, Miguel Ángel Osorio Chong, announced last week that Castillo would cease to serve as federal commissioner virtually one year to the day after he assumed the freshly created post with the remit of pacifying the violence-ridden state of Michoacán. Speaking at a public event in the national palace in Mexico City to evaluate the federal security strategy in Michoacán, Osorio Chong praised Castillo for his achievements and said he would assume new responsibilities in the federal administration. He implied that Castillo had been hounded out by small-minded opposition political parties and candidates intent on "politicising his remaining in the post, and masking his results".

Days earlier, the interim governor of Michoacán, Salvador Jara, had urged the federal government to weigh up the pros and cons of keeping Castillo in his position with elections fast approaching, ensuring that it "evaluate not just from the security perspective but also from the political perspective". Opposition politicians had accused Castillo of functioning much like a surrogate governor.

Osorio Chong did not make it clear whether the commission itself would be wound up, but the titular position of federal commissioner will not be renewed. Instead, Osorio Chong revealed that General Felipe Gurrola Ramírez would be dispatched to Michoacán at the head of a 'special security command' in the state, tasked with coordinating 6,000 federal police who were deployed there last year.

Castillo met with some success in Michoacán. Federal forces managed to restore at least a semblance of order to many areas of the state, even within the volatile Tierra Caliente region, and he presided over the disbandment of the vigilante 'self-defence' groups, which were subsumed into a specially created Fuerza Rural (FR). But these successes are superficial. Law and order has been preserved through a massive federal security deployment; the LCT has not been disarticulated, with its leader, Servando 'La Tuta' Gómez Martínez, still at large; and only last month the mutual enmity, and suspicion, within the erstwhile 'self-defence' groups erupted into a deadly clash claiming 11 lives. To top it off, despite the unprecedented federal security

## Divided opposition

The Left is split heading into June's elections, with the PRD reeling from the Iguala scandal as much as the federal government, given that it governed the mayorality and the state of Guerrero. The Movimiento Regeneración Nacional (Morena) led by the PRD's twice former presidential candidate, Andrés Manuel López Obrador, is looking to capitalise. The PAN is better off but has divisions of its own. This week former president Felipe Calderón (2006-2012) even raised the possibility of creating a new political party unless the PAN carried out a "reconstruction process" forthwith. The PAN's permanent commission rejected the attempt by Calderón's wife, Margarita Zavala, to register as a pre-candidate for federal deputy on 12 January.

presence, homicides in Michoacán increased dramatically in 2014: in the first nine months of 2014 the number of homicides in the state stood at 981, eclipsing the 916 for the whole of 2013.

Addressing the federal congress on 15 January, Castillo said that while federal security forces had not totally recovered security in the state over the course of the last year, the LCT had been significantly weakened. Castillo said that the real leaders of the LCT, Nazario 'El Chayo' Moreno, and Enrique 'El Kike' Plancarte, had been taken out and that 'La Tuta' no longer showed his face, wielded no influence over public life and was a mere "media figure" (although within days of arriving in Michoacán Gurrola had announced an offensive involving federal and state forces to track him down). Castillo added that over the course of the last year his commission had captured 225 officials suspected of colluding with the LCT, including the former interim governor, José Jesús Reyna García, who was arrested last April, and Rodrigo Vallejo, whose father Fausto stepped down as governor for the Partido Revolucionario Institucional (PRI) last June in the wake of the allegations against his son.

The PRI is likely to be punished in Michoacán. Luisa María Calderón, the sister of former president Felipe Calderón (2006-2012), is making the early running in the gubernatorial race and should secure the nomination of the right-wing Partido Acción Nacional (PAN) on 8 February. Silvano Aureoles, the president of the federal lower chamber, is the favourite of two pre-candidates to register for the left-wing Partido de la Revolución Democrática (PRD). Aureoles said this week that party differences should be set aside to resolve the state's troubles.

It is personal difficulties not party differences troubling Peña Nieto, whose credibility is being eroded by a steady stream of damaging revelations that smack of influence peddling. The latest, reported on 20 January by the *Wall Street Journal* (*WSJ*) (once again), involves Peña Nieto's purchase of a property in an exclusive golf club in Ixtapan de la Sal in the Estado de México, shortly after he became governor of the state in 2005, from Roberto San Román Widerkehr.

San Román's construction firm subsequently won US\$107m in public works contracts during Peña Nieto's term as governor (2005-2011), the *WSJ* reports, and 11 federal contracts worth around US\$40m after he became President in 2012, having never previously won a contract directly from the federal government. Peña Nieto listed the US\$372,000 property in his declaration of assets late last year (but not from whom he bought it) after another awkward revelation by the *WSJ* about a family mansion purchased by his wife, First Lady Angélica Rivera, from Grupo Higa. This construction firm, owned by Juan Armando Hinojosa, also sold a property to the finance minister, Luis Videgaray, and has won hundreds of millions of dollars of public work contracts.

Britain's *Economist* responded to the latest *WSJ* article with a piece entitled 'The Mexican morass', in which it argued that Peña Nieto and Videgaray were "missing the point" by arguing that they had done nothing illegal, as the "mutual back-scratching" with construction firms constituted "unacceptable behaviour".

Peña Nieto has not been a popular president since coming to power in December 2012 but he accomplished a lot swiftly; he now seems unsure and indecisive, bowing to political pressure to remove Castillo, and to allow relatives of the 43 disappeared trainee teachers to enter the military barracks in Iguala, Guerrero, to look for their loved ones [WR-15-02], a gesture which was heavily criticised by Mexico's main business organisation, Confederación Patronal de la República Mexicana (Coparmex). The danger is that the reforming zeal that has characterised the first two years of his mandate will peter out for the remaining four years of his *sexenio*. Regaining authority will not be easy unless he takes a firm stance on combating corruption in all its forms. His main hope is that the opposition is too divided to capitalise on his travails in June's elections, enabling the PRI to retain its grip on the federal lower chamber (*see sidebar*).

### Commemorating 'Democracy Day'

President Nicolás Maduro marked the 57<sup>th</sup> anniversary of the fall of the Venezuelan dictator, Marcos Pérez Jiménez, 'Democracy Day', on 23 January, by calling on the president of the national assembly, Diosdado Cabello, to begin an investigation into the 'economic war' he argues is being waged against his government. Meanwhile, the opposition Mesa de la Unidad Democrática (MUD) staged a protest march, but the governor of Miranda, Henrique Capriles, cut a peripheral figure, underscoring the MUD's failure to present a united front. Capriles grabbed headlines earlier this month by calling for the MUD to unite behind a structured plan of action in the face of acute shortages of food and basic products.

"They are repeating the script of Chile's coup against President Salvador Allende [1970-1973], led by the governors [like Capriles] of the unpatriotic Right which is on the streets fomenting unrest and violence," President Maduro said. "I have lots of evidence [of the economic coup] which I am going to present shortly," Maduro added, while announcing a number of measures to confront food shortages. If the shelves were restocked as frequently as Maduro has made the promise to provide evidence of a coup, there would be no queues outside supermarkets in Venezuela.

Maduro called on Cabello to investigate the 'economic war', a term he uses interchangeably with 'fourth generation war', against his government during the upcoming legislative session. Days later, on 27 January the conservative Spanish daily *ABC* penned a piece implying that the more urgent investigation should be into Cabello. It reported that the erstwhile head of Cabello's security detail, Leamsy Salazar, had informed US prosecutors that Cabello, the strongman of the Bolivarian Revolution, was one of the leaders of the alleged military drug ring, *Cártel de los Soles* (see sidebar).

#### MUD on the margins

The MUD staged a 'march of the empty pans', which was forcibly confined to the wealthier areas of Caracas, to mark 'Democracy Day'. The Maduro administration responded with a giant 'popular market' in Caracas and many more in the interior of the country in an attempt to downplay the severity of food shortages in Venezuela.

Senior MUD politicians are singing from the same hymn sheet. "Our duty is to capitalise on the discontent," MUD executive secretary, Jesús Torrealba, said during the march. "Eighty percent of the country wants change and we have to unite to present a common agenda for change," Capriles said. But the MUD conspicuously failed to produce either an electoral accord ahead of legislative elections this September or an action plan as promised [WR-15-03].

Capriles, who must have been disillusioned by the poor turnout for the march, stressed that "When I talk about the need for mobilisation, I don't just mean a march, we have to accompany our people in the difficult situation confronting them." Capriles added: "I am optimistic that we will agree on a common agenda" for the legislative elections, and an action plan "to help people in the queues". But internal differences are clearly holding up any agreement within the MUD, and Capriles might have been better served trying to ensure a plan was in place before calling for a large-scale mobilisation as the longer this all takes the more the MUD's credibility will suffer.

#### Cabello

This is not the first time the president of the national assembly, Diosdado Cabello, has been accused of drug-trafficking. President Maduro responded to the latest allegations against him by *retweeting* "@NicolasMaduro appoints @dcabellor to investigate the Economic War and the US attacks him...!" Cabello, meanwhile, said he would take legal action against Spain's *ABC* and, more ominously, the owners of Venezuela's *El Nacional* and *Tal Cual*, for repeating the allegations against him. He said he would be "implacable" and that "nobody" would stop him.

## Reading Maduro's mood swings

Just a day after Venezuela's government lamented "a dangerous setback in bilateral relations" with Colombia, President Nicolás Maduro was all smiles in a photo op with President Juan Manuel Santos at the opening of the III Community of Latin American and Caribbean States (Celac) heads of State summit in San José, Costa Rica. The implication was that all was well between Caracas and Bogotá.

President Maduro also extended a conciliatory note to US President Barack Obama, praising his historic overtures towards Cuba. Maduro said he looked forward to "exchanging criteria" with Obama at the upcoming Summit of the Americas on 10 and 11 April in Panama, where Cuba's President Raúl Castro will attend at the invitation of the Panamanian government. Maduro praised Obama's "brave" moves, but again called for an end to the US embargo on the island. Maduro's show of statesmanship may be an effort to bolster regional political support, amid mounting concern in many quarters about the internal situation in Venezuela.

The Venezuelan government's sensitivity to anything even approaching external interference in its domestic affairs has made it challenging for the country's regional allies – including the likes of Brazil and Chile – to do much. Efforts last year by Brazil, Chile and the Vatican to mediate an internal political dialogue failed, largely in the face of government intransigence. A recent offer of assistance from Chile's new foreign minister, Heraldo Muñoz, was angrily rebuffed.

### Ex-presidents given short shrift

Shortly before he flew to Costa Rica, Maduro complained of "an operation of provocation against Venezuela by the ultra-right, using political figures from some countries linked to projects of the Right, [who are] supporting [domestic] political groups that refuse to recognise the internal constitutional order". Maduro's complaint was in reference to the visit to Caracas of Colombia's conservative former president, Andrés Pastrana (1998-2002), who along with Chile's Sebastián Piñera (2010-2014) and Mexico's Felipe Calderón (2006-2012), was invited to the country by the wife of the imprisoned opposition leader, Leopoldo López, and López's opposition colleagues including the former independent deputy, María Corina Machado, for a forum on democracy. From the moment of their arrival they endured a barrage of highly undiplomatic insults, Maduro, in one of his lighter moments, branding them "three fascist fossils".

Vice-President Jorge Arreaza gave orders that Pastrana and Piñera (Calderón's plane was late) should not be allowed to visit López, who has been held for almost a year in solitary confinement in the Ramo Verde military prison outside Caracas. Pastrana and Piñera were clearly shocked. After they were manhandled by the national guard outside the prison, Pastrana on his way back into Caracas *tweeted* a picture of a lengthy queue, with the caption, "For @NicolásMaduro this queue does not exist". Piñera commented: "Leopoldo López is a politician, one can disagree with his ideas but that does not provide the right to deprive him of his freedom".

The next day, Colombia's foreign ministry issued a statement critical of Pastrana's treatment and called for López to be released. The reaction in Caracas was furious. A government statement "regretted that the Colombian foreign ministry considers positions against Venezuelan democracy and the constitutional government of President Nicolás Maduro". In a rare show of unity in Colombia, former president Alvaro Uribe (2002-2010) congratulated the Santos administration for its statement. Meanwhile, another former president, Costa Rica's Oscar Arias (1986-1990, 2006-2010), declared the Venezuelan government "corrupt, inefficient and obsessed with concealing its failure".

### Poverty rates go up

The United Nations

Economic

Commission for Latin

America and the

Caribbean (Eclac)

reported that

Venezuela's poverty

rate rose 6.7

percentage points in

the space of a year

to reach 32.1% in

2013, while the

indigence rate rose

by 2.7 points in the

same period to reach

9.8%; one of the

worst deteriorations

in the region, on

Eclac calculations.

## Morales reshuffles cabinet for third term

President Evo Morales was officially sworn-in for a third term in office last week. Heavyweights like Foreign Minister David Choquehuanca and Economy Minister Luis Arce retained their posts, but the 21-member cabinet was given a facelift with 13 new ministers brought in. The choices for the justice and interior portfolios attracted most attention given the widely acknowledged need to overhaul the judiciary and the ruling Movimiento al Socialismo (MAS) government's continued efforts to address insecurity, both of which emerged as campaign issues ahead of the October 2014 general election.

President Morales' decision to retain Arce (who, along with Choquehuanca, has held his post since the first MAS administration took office in 2006) was hardly a surprise given that the MAS government's effective management of the economy has been a continued factor in his popularity. Earlier this month, Arce told reporters that GDP growth for 2014 reached "at least" 5.5% – one of the highest in Latin America – while he forecast 5.9% GDP growth for 2015.

Yet local and international commentators have been quick to flag up the fact that President Morales begins his new five-year mandate amid a distinctly less favourable economic climate as a result of falling oil prices. This has raised some doubts as to whether the government will be able to continue full steam ahead with the flagship poverty reduction programmes, funded by the hydrocarbons sector nationalised in 2006, which have also kept Morales' approval ratings high. In his 2014 manifesto Morales claimed to have reduced extreme poverty and general poverty to 18% and 38.4% of the population (total 10.6m) respectively in 2013 (down from 38% and 60% in 2005, the year before he first took office). The manifesto proposed to continue these programmes in the 2015-2020 term with the aim of reducing the extreme and general poverty rates to 9% and 26% respectively by 2020.

Yet the hydrocarbons sector is slowing. While Bolivia's total exports reached US\$12.8bn in 2014, up 5.3% on 2013, natural gas exports (which accounted for 46% of total exports) were down 2.1% compared with 2013. On 15 January Bolivia's deputy minister for the exploitation and exploration of hydrocarbons, Eduardo Alarcón, attributed the slowdown to international oil prices. He said that in 2013 the average price of gas to Brazil (Bolivia's main market for hydrocarbons exports) was US\$9.08 per mmBtu (one million British Thermal Units), while at the close of 2014, it was just US\$8.68/mmBtu – a drop of 4.4%. As regards Argentina, Bolivia's other main market for hydrocarbons exports, Alarcón said that gas was selling for US\$10.38/mmBtu in 2013 while in 2014 it had dropped 2.7% to US\$10.10/mmBtu.

Morales has sought to deflect fears of the impact of oil prices on the Bolivian economy – optimism which international institutions like the International Monetary Fund (IMF) appear to share (*see sidebar*). Earlier this month, Morales said that, if necessary, his government was ready to dip into the country's net international reserves which reached US\$15.09bn in 2014, up from US\$14.4bn in 2013. Yet given existing uncertainty in the hydrocarbons sector, the death from cancer on 25 January of Carlos Villegas, the head of state oil company, Yacimientos Fiscales Petrolíferos Bolivianos (YPFB), undoubtedly came as a further blow to the President.

One of Morales' closest allies, Villegas, a former minister of hydrocarbons (2006-2008), had been in the post since 2009 at which point he became Morales' sixth head of YPFB in three years – ending a period of instability in the company. The death of Villegas, whose permanent replacement has yet to be announced, also comes as YPFB has been in the news in relation to an

### IMF outlook

In its latest (21 January 2015) World Economic Outlook (WEO) report, the International Monetary Fund (IMF) remained upbeat about Bolivia's economic prospects. Noting that its projection for regional growth was now "at just 1¼ percent, about the same low rate as in 2014 and almost 1 percentage point below our previous [October 2014] forecast", the IMF acknowledged that "lower oil prices are also dampening growth prospects for Bolivia, Colombia, and Ecuador"; but added that "in all three countries, fiscal balances will suffer from falling oil revenue, but initial positions are strong enough to weather the impact".

## Security

Security is an issue that featured prominently in last October's election campaign, particularly after the gruesome murder of a woman in Santa Cruz [WR-14-34] in August. This after then interior minister Carlos Romero – another key ally of President Morales who stepped down in July to run (successfully) for a senate seat – had put the national homicide rate at 12.1 per 100,000 inhabitants in 2013. This is up on 8.9 per 100,000 inhabitants in 2010, on figures from the UN Office on Drugs and Crime (Unodc).

alleged corruption scandal, which broke in December 2014 [WR-14-50]. This was one of the worst scandals since 2009 which had forced out Villegas's predecessor, Santos Ramírez.

## Justice & security

Given that the pressing need for judicial reform had emerged as a campaigning point ahead of last October's election, Morales' choice of Virginia Velasco Condori, an indigenous lawyer and adviser to social organisations, as the new justice minister, attracted scrutiny. Velasco replaces Sandra Gutiérrez who had been in the post since January 2014 – the one significant cabinet change Morales made in last year's reshuffle. The government has widely acknowledged the fact that the unprecedented October 2011 elections to pick top judges ultimately proved a failure and the need to reform the judiciary has been repeatedly flagged up by international human rights institutions, such as the Office of the United Nations (UN) High Commissioner for Human Rights (OHCHR) and the US-based NGO, Human Rights Watch (HRW) [WR-14-38].

Accordingly Morales has pledged to hold a referendum on judicial reform and Velasco was clear that one of her immediate priorities would be to organise a summit to discuss this proposal. On 5 January, the same day that Morales made his pledge, the deputy justice minister, Gabriel Machicado, announced that an inter-institutional committee would be put in place to draw up the questions and establish a timeframe for the proposed referendum. Since then, on 22 January Bolivia's attorney general, Ramiro Guerrero, announced plans to present at least 10 proposals to the government to "revolutionise justice in Bolivia" based on consultations with civil society, professionals and social organisations.

As well as justice, another priority is security (see sidebar). Morales named an academic and political analyst, Hugo Moldiz, to replace Jorge Pérez as security minister. While Modiz is pledging to continue with the policies of his predecessors, the MAS manifesto remained somewhat vague on security beyond proposing to further strengthen the police and provide better equipment; implementing security cameras in the capital cities; safe taxis; and crime prevention education programmes.

### New cabinet

Luis Alberto Arce	<i>Economy*</i>
David Choquehuanca	<i>Foreign relations*</i>
Roberto Aguilar	<i>Education*</i>
Tito Montaña	<i>Sport*</i>
Juan Ramón Quintana	<i>Presidency*</i>
Félix Cesar Navarro	<i>Mining*</i>
Pablo Groux	<i>Culture &amp; Tourism*</i>
Nemesia Achacollo	<i>Rural development*</i>
Hugo Moldiz	<i>Interior</i>
Virginia Velasco Condori	<i>Justice</i>
Ana Verónica Ramos	<i>Productive development</i>
María Alexandra Moreira	<i>Environment &amp; water</i>
René Gonzalo Orellana	<i>Development planning</i>
Lenny Tatiana Valdivia	<i>Transparency &amp; anti-corruption</i>
Luis Alberto Sánchez	<i>Hydrocarbons &amp; energy</i>
Marianela Paco	<i>Communications</i>
Hugo José Núñez del Prado	<i>Autonomy</i>
Ariana Campero	<i>Health</i>
Jorge Ledezma Cornejo	<i>Defence</i>
Milton Claros	<i>Public works, services &amp; housing</i>
José Gonzalo Trigo Agudo	<i>Labour</i>
*ratified in their posts	

## Humala dealt humbling defeat by congress

### Tough times ahead

One year on from Peru's victory in its maritime border dispute with Chile, the zenith of President Humala's tenure, the heavy defeat in congress is possibly the nadir. Humala, who conceded defeat but accused congress of failing to come up with a viable alternative, insisted that "there is political noise" but "I'm not for turning". Brave words but his actions already suggest differently. Such was the heated nature of the debate in congress over the youth employment law that Humala withdrew a request to congress for permission to travel to the Community of Latin American and Caribbean States (Celac) summit on 28 and 29 January in Costa Rica, ostensibly to focus on domestic matters but really because he knew he would face the ignominy of a refusal.

President Ollanta Humala experienced the bitter taste of defeat this week after congress annulled his government's youth employment law. In an extraordinary session, congress voted overwhelmingly to strike down a law that it had approved scarcely six weeks earlier. Four large protest marches were enough to persuade much of the political opposition, with one eye on next year's general elections, to jettison the law out of populist motives rather than conviction. The vote also exposed the rupture in the disparate ruling coalition, Gana Perú, which augurs badly for Humala in the remaining 17 months of his mandate.

The youth employment law aimed to create jobs by cutting costs for employers that take on youths between 18 and 24, and to reduce the size of the informal sector. It ensured a minimum wage and some social security benefits but holiday entitlement was cut in half, from 30 to 15 days, and employers were not required to foot the two annual bonuses (in June and December) or severance pay.

The Humala administration stressed that the law was designed to improve training and employment opportunities for the young but the main objective was to reactivate the economy, and to reduce costs for businesses, borne out by the fact that the umbrella business federation, Confiep, was strongly supportive of the law. Students and other young people, bolstered by trade unionists, reacted furiously to the law, which took effect on 11 December, arguing that it was exploitative. They ratcheted up the pressure on the government with four protest marches in as many weeks in Lima and other cities in Peru.

Not only has the Humala administration succeeded in awakening the country's youth, which is now demanding a reform to the labour code, but it also roused the increasingly alienated leftist rump of the ruling Gana Perú. Already disillusioned with the government's cozying up to Confiep; allegations that the government has been spying on deputies it suspects of being dissidents; and recent decisions such as stripping away environmental safeguards to attract more investment, the youth employment law's perceived erosion of basic labour rights, and the protests this engendered, was the last straw. An influential deputy, Sergio Tejada, a member of the left-wing Partido Nacionalista Peruano (PNP), the mainstay in Gana Perú, quit the coalition at the weekend. He went on to vote to annul the law along with six Gana Perú deputies, including, notably, Vice-President Marisol Espinosa, the most prominent alleged victim of the illegal spying scandal [WR-15-03].

The internal split in Gana Perú has compounded Humala's political isolation. His 'ally' Perú Posible (PP), the party of former Alejandro Toledo (2001-2006), also voted to annul the law. "We will continue supporting governability, but the country is very polarised, very divided, let's reduce the temperature so that investors come to invest and generate employment to distribute the benefits of growth," Toledo said. Despite the PP's abandonment of the government, Toledo urged the opposition not to "undermine" it further.

In total 91 deputies voted to annul the law and just 18 to keep it; on 11 December, it had been approved by 68 votes to 12 against. The switch, exemplified by the Fujimorista Fuerza Popular (FP) which had previously been fully supportive of the bill, was pure populism. Sensing the popular mood, the political opposition used the law to begin flexing their muscles ahead of next year. There are still 17 months until presidential and congressional elections in Peru but this vote suggests that Humala could well be a lame duck president for the remainder of his mandate as political parties jockey for public support by making life difficult for an unpopular president.

## Avianca

On 22 January the specialised magazine *Business Traveller* announced that Avianca S.A., Colombia's national air carrier, had been chosen by its readers as Latin America's best airline in 2014. In a statement the magazine said that "Based on a combination of criteria such as service, route offer, comfort, proximity and service culture, world travellers have chosen Avianca as the best". Fabio Villegas Ramírez, Avianca's president, said that "it fills us with pride and satisfaction to receive this award... Avianca has managed to obtain a place of honour thanks to its innovations across its services". Avianca currently flies to 98 destinations in 26 countries in Latin America and Europe with a fleet of 165 short, medium and long haul aircraft.

## TRACKING TRENDS

**BOLIVIA | ThyssenKrupp interest.** On 27 January Bolivia's mining minister, César Navarro, revealed that German multinational conglomerate, ThyssenKrupp AG, had expressed an interest in securing a long-term provision contract with Bolivia's state-owned tin mine and smelter, Vinto. According to Navarro, ThyssenKrupp representatives met with him at his office that same day to discuss their plans to "develop business projects and invest in Bolivia", mooting the possibility of opening up a branch there. Navarro said that "one of their objectives is to support Vinto by signing a five to 10 year tin provision contract".

Vinto, which was nationalised by the Bolivian government in 2007 and previously owned by mining giant Glencore, is the world's sixth largest tin producer with an installed production capacity of 20,000 tonnes (t) a year. But according to Navarro, capacity is now due to increase by 110t per year following the construction of a new furnace at the smelter, which was completed last week.

ThyssenKrupp is the world's largest steel producer and one of the leading suppliers of components to the global industrial sector.

**COLOMBIA | Still reducing poverty.** On 26 January the United Nations Economic Commission for Latin America and the Caribbean (Eclac) released its 'Social Panorama for Latin America 2014' report, which found that while poverty reduction in the region was largely stagnant in 2012-2014, Colombia was one of a handful of countries that succeeded in significantly reducing poverty rates.

The Eclac report found that the region's poverty rate remained virtually unchanged at 28% compared to 28.1% in both 2012 and 2013 (which taking into consideration demographic growth means that there are now 167m more people considered to be poor in Latin America). But the report found that Paraguay (8.9 percentage points), El Salvador (4.4), Chile (3.2) and Colombia (2.2) managed to post reductions in the incidence of poverty (and similar reductions in extreme poverty rates).

While Colombia may not be leading the way, the fact that it is the fourth most populated country in the region means that a greater number of individuals were lifted out of poverty in Colombia than virtually in any other country.

**PERU | BCRP forecast differs from IMF's.** On 25 January Peru's central bank (BCRP) released the latest instalment of its inflation and macroeconomic projections' report in which it forecast GDP growth of 4.8% in 2015. The BCRP's forecast is lower than its December 2014 projection of 5% but slightly higher than the 4% projection recently made by the International Monetary Fund (IMF), which revised its forecast down from 5.1%.

The report was presented by BCRP president Julio Velarde. He said that it is expected that after two years of low growth on the back of a fall in international commodity prices, Peru's economy will rebound this year with strong growth in a number of sectors. Velarde noted that the BCRP projects growth of 17.2% in the fishing sector; 6.3% in the mining sector; 5.7% in the construction sector; and 5.4% in the manufacturing sector. He added that exports are expected to come in at US\$36.1bn.

Commenting on the differing forecast with the IMF, Velarde insinuated that the IMF's projection was off the mark because it was not based on the latest available data. Velarde said that this was "the first time" that the IMF had failed to consult the BCRP before releasing any forecasts for the Peruvian economy. "I very much doubt that [the IMF] met with fishermen, miners, and coffee growers as we have done," Velarde remarked.

At any rate, the BCRP's latest projections do not make for great reading for the government led by President Ollanta Humala as they suggest that while Peru will recover from the economic slowdown it has experienced since 2013, this recovery will be less than originally expected. More worryingly the BCRP report also forecast that year-end 2014 growth would come in at 2.4%, lower than its last projection of 2.6%-3%.

Only a few days prior to the release of the BCRP report, on 22 January, Peru's economy & finance minister, Alonso Segura, said that the government was predicting growth of 2.7% in 2014 and of around 5% in 2015, with Peru once again becoming one of the fastest growing economies in Latin America. Such an outcome is looking increasingly difficult to achieve.



**Fernández plans reform of intelligence services**

Few Argentine politicians believe that the country's intelligence service is fit for purpose. The Secretaría de Inteligencia (SI), formerly known as the Secretaría de Inteligencia de Estado (SIDE), survived the transition from the military dictatorship, during which it hunted down political dissidents, to democracy relatively unreformed. But the radical shake-up announced by President Cristina Fernández earlier this week, in the wake of the death of the prosecutor, Alberto Nisman, has angered opposition politicians who fear further politicisation of the agency.

**Fernández's reforms**

Under the proposals announced by President Fernández on her blog, the SI would be scrapped. In its place, the government would establish an Agencia Federal de Investigación (AFI). The director and deputy director of the AFI would be nominated by the executive, but would require confirmation by the senate.

The AFI's mandate would, in theory, be limited to the prevention and investigation of terrorism; drug, arms and people-trafficking; cybercrimes, and attacks on Argentina's economic and financial infrastructure. It would be explicitly prohibited from involvement in political activities.

Wiretaps, and other forms of communication monitoring, could only be authorised by the attorney-general's office. Much of Nisman's report accusing Fernández and other senior government ministers of covering up Iran's involvement in the 1994 bombing of the Amia Jewish centre in Buenos Aires, was based on wiretaps given to the prosecutor by officials from the SI. Intelligence agents will also be prohibited from speaking to judges outside of official channels. A full bill fleshing out in more detail the Fernández administration's proposals will be sent to congress on 2 February.

**Opposition reaction**

The leading opposition candidates for the presidency rejected the proposals out of hand. The mayor of Buenos Aires, Mauricio Macri, of the centre-right Propuesta Republicana (PRO); Sergio Massa, of the dissident Peronist Frente Renovador (FR); and Julio Cobos, of the centre-left Unión Cívica Radical (UCR), were quick to criticise the proposal. In particular, they expressed concern that the authorisation of phone intercepts should be the responsibility of the attorney general. At present that job is held by Alejandra Gils Carbó, a staunch Kirchnerista who is widely distrusted by the opposition for her attempts to politicise the judiciary. They argue that wiretaps should be authorised by the supreme court.

A similar, rare, unity was shown by opposition leaders in congress, who signed a joint letter rejecting the proposed dissolution of the SI as an attempt to "distract attention" from the death of Nisman. The letter, composed by Mario Negri (UCR), Darío Giustozzi (FR), Federico Pinedo (PRO) and Margarita Stolbizer (GEN), called for the foreign minister, Héctor Timerman, and the security minister, Cecilia Rodríguez, to submit themselves to questioning by the lower chamber over Nisman's death. The letter also demanded a meeting with the supreme court to ensure the investigation into Nisman's death was being conducted properly.

The opposition group also questioned the fact that the new director and deputy director of the AFI would only need to be approved by a simple

**Capitanich defends reform**

Jorge Capitanich, the cabinet chief, criticised opposition legislators for rejecting the President Fernández's proposals before they had even had a chance to read the government bill. "Those who now oppose it [the bill], only days ago demanded an in-depth reform of the intelligence services," he said. He also defended Gils Carbó from accusations of partisanship, pointing out that in her senate nomination process, she was approved by 60 out of 66 senators.

## Amia investigation to continue

In a meeting with survivors and friends of the victims of the Amia bomb attack on 27 January, President Cristina Fernández promised the investigation into the case would continue. Eighty-five people were killed and hundreds injured in the 1994 attack, and no one has ever been prosecuted. Sergio Burstein, a spokesman for the group, applauded Fernández's decision to disband the intelligence secretariat, calling it "an act of incredible bravery".

majority in the senate. This means that, for the time-being at least, militant Kirchneristas could easily secure the positions, which they would then hold for the next four years, thus ensuring control of another key institution should the ruling Frente para la Victoria (FpV) face an adverse result in this October's general elections.

Even among supporters of Fernández, there were fears at the possible unintended consequences of the termination of the SI. Of particular concern is what happens to the agency's workforce. In 2000, then SIDE director Fernando de Santibañes fired 1,000 intelligence officers as a result of budget cuts; many were widely believed to have subsequently lent their expertise to carrying out illegal political activities. Eduardo Barcesat, a lawyer with strong ties to the government, said he expected to see some "pushback" from agents if the reforms were carried through.

### Nisman: the investigation continues

In her second Facebook post on the death of the prosecutor, Alberto Nisman, President Cristina Fernández questioned, again, the theory that the cause was suicide. While in her initial post, Fernández merely added an interrogative to cast doubt on the theory, on 22 January she was more assertive. "This suicide (that I am convinced) was not suicide," she wrote, arguing that Nisman's death, preceded by his allegations that she had tried to cover up Iran's involvement in the 1994 bombing of the Amia Jewish centre in Buenos Aires, was part of an attempt to destabilise her government.

While the theories and the implications continue to develop, the investigation into what actually happened continues. On 27 January two police officers assigned to protect Nisman were fired, following discrepancies in their accounts of their activities on the day of his death. According to local press reports, they had not been in contact with Nisman for over 11 hours prior to the discovery of his body, contrary to their orders.

Meanwhile, Diego Lagomarsino, a computer expert working in the Amia investigation unit, has been charged with lending a gun to someone who did not have a licence to use it. Lagomarsino lent Nisman the gun that the prosecutor apparently used to shoot himself in the head. In the hours after the discovery of Nisman's body, Lagomarsino appeared at the offices of Viviana Fein, the lead investigator into Nisman's death, and confessed to lending him the gun.

It is still unclear as to why Nisman borrowed the gun, given that he had two weapons already registered in his name. Anonymous sources quoted extensively in the Argentine press claim that Lagomarsino was in reality an intelligence officer, working for Nisman. Fein is reportedly investigating Lagomarsino's links with the intelligence services. *Página/12*, a pro-government paper, quoted Lagomarsino as saying that Nisman had been told by Antonio 'Jaime' Stiusso, his principal contact in the intelligence services, that he should not trust his bodyguards and that he should monitor his daughters' safety.

Separately, Daniel Pachter, the *Buenos Aires Herald* journalist who originally broke the news that Nisman had been found motionless in a pool of blood, fled the country earlier this week for Israel, following a tip-off from a contact in the intelligence services that his life was in danger. Bizarrely, the government then published details of his travel plans on the official Twitter account of the presidential palace.

Nisman will be buried at the Tablada Jewish Cemetery on 29 January. Fein has ruled out the need for a second autopsy. Sergio Massa, the likely presidential candidate for the dissident Peronist party, Frente Renovador (FR), has called for an international commission to investigate the death of Nisman.

Massa cites the death of Rodrigo Rosenberg as a precedent. Rosenberg was a Guatemalan lawyer gunned down in the street shortly after recording a video in which he accused then-president Alvaro Colom (2008-2012) of organising his murder. In that case, an international commission determined Rosenberg had planned his own death.

## Marina's Rede folds

Rede

Sustentabilidade

(Rede), the proto-

political party

founded by Marina

Silva, the former

presidential

candidate, has

effectively fallen

apart, less than three

months after the

elections. Rede's

leaders, Walter

Feldman and Luiza

Erundina, have

parted ways.

Meanwhile many of

the group's other

members have left to

set up another party,

Avante, inspired by

Spain's left-wing

Podemos party. Silva

has not been seen in

public for over a

month.

## Cobos to run for Argentine presidency

Julio Cobos, President Cristina Fernández's vice-president in her first term of office, has confirmed his intention to run for the presidency for the centre-left opposition Unión Cívica Radical (UCR). In 2007, Cobos had been expelled from the party when, as a leading exponent of the so-called 'K' Radicals, he accepted the vice-presidency, but he soon fell out with Fernández in her government. The final straw was his decision to vote against an increase in the grain export tax in 2008, but he stubbornly resisted intense pressure to resign for the remaining two years of Fernández's first term. On leaving office he was quickly reintegrated into the UCR.

Cobos is a former governor of Mendoza, one of a handful of provinces to hold early primary elections in April. As such, it will provide an early indication of voters' sentiment ahead of the general elections in October.

## BRAZIL | POLITICS

### São Paulo plans further water rationing in April

While rainfall in the state of São Paulo has been lower than average over the past three years, the current water shortage has been caused less by the lack of rain, and more by infrastructure failures and poor governance. On 28 January, the governor of São Paulo, Geraldo Alckmin, announced that water rationing would begin in the first fortnight of April. For many of the residents of the poorer periphery of the city of São Paulo, unofficial rationing began months ago. But in the most drastic scenario envisaged by the state water utility company, Sabesp, residents could be limited to just two days' supply of water per week.

Problems with the Cantareira system of reservoirs, which serves over 6m of the city of São Paulo's residents, were identified as far back as the 1990s. But it is over the past four years that the levels have fallen most dramatically, from 100% in January 2010, to 6% in 2015. Despite warnings that the situation was becoming critical in early 2014, with an election due in October, Alckmin ruled out rationing. He won handsomely in the first round with 60% of the vote. Days after his election, he admitted there was a water crisis, having denied it throughout the campaign.

While the worst drought in 80 years has clearly exacerbated the crisis, around 36% of the treated water supply in São Paulo is wasted through leakages and theft. Much of the headlines have been dominated by concerns over lack of water for *paulistanos*, but industrial and agriculture water use is much more significant. Around 45% of the water is used for irrigation; only around 5% is for home use. Jorge Werneck Lima, a hydrology researcher quoted in the daily *O Folha de São Paulo*, argued that improving irrigation practices could save up to 20% of the water used, freeing up more for residential purposes.

The issue is polemical, however. Jussara Cruz, the president of the Brazilian association of water resources (IWRA), said that while saving water could prove beneficial for farmers, there was a short-term risk of a severe impact on production, with a consequent loss of profits and a reduction in employment in the agricultural sector.

### Solutions

Aside from rationing, other plans are now being considered. Diverting water from the Billings reservoir to the Cantareira system is one option, but at present the reservoir is severely polluted following the recent emergence of slums on its banks. Water from the Alto Tietê system to the Cantareira is also being increased, but that reservoir is also running low, at just over 10% of its capacity. The governors of Minas Gerais, Rio de Janeiro and São Paulo have come to an agreement about the transfer of water from the Paraíba do Sul river, but it will take over a year to complete, and experts are worried the supply in that river is also very low.

### Summer time all the time in Chile

On 28 January Chile's energy minister, Máximo Pacheco, announced that from now on the country would operate on its 'daylight saving' or 'summer time' schedule (GMT-3) year round. Pacheco said that the main reason for the change was "to concentrate energy efficiency efforts when it really matters". The minister explained that after carefully analysing the impact of the dual time schedule system, first introduced in 1968, the government had concluded that it no longer leads to sufficient energy savings. "In the 1960s we had a different reality... today energy consumption is not altered by the change in schedule". Pacheco added that the government now expected "all Chileans to chip in" to reduce energy consumption by at least 20%.

**BRAZIL | Petrobras shares slide.** A day after releasing its third quarter results for 2014, shares in Petrobras, Brazil's state-run oil company, slumped around 11%.

Although the results were unremarkable, the markets were more worried about the failure of the company's administrative board to agree on a figure for the losses caused by the massive corruption scheme unveiled at the firm by 'Operation Car Wash'.

Deloitte and BNP Paribas, the companies hired by Petrobras to determine a value, presented a figure of R\$88bn (US\$34bn) lost to the bribes and overpricing that characterised the corruption scheme.

The total fixed assets of Petrobras are valued at around R\$600bn. But PriceWaterhouseCoopers, the company's auditor, did not approve of the methodology used to calculate that result, and therefore refused to sign off on the accounts.

Government ministers briefed the Brazilian press, anonymously, that the failure to agree a figure has also made the government's plan to introduce a "council of wise men" to advise the company unworkable.

The position of Maria das Graças Silva Foster, the CEO of the company, is also becoming untenable, despite her closeness to President Dilma Rousseff.

**URUGUAY | Trade deficit hits four-year low.** The latest figures released by Uruguay's central bank (BCU) on 28 January showed that the country posted a trade deficit of US\$1.6bn in 2014, 12.5% lower than that registered the previous year and the lowest since the US\$1.4bn registered in 2010.

The result is positive for the government led by President José Mujica and the incoming one of President-elect Tabaré Vázquez, who takes office on 1 March, as it should assuage local private sector concerns about the country's loss of competitiveness.

According to the BCU report, the 2014 trade balance was the result of US\$10.76bn worth of imports, 1.2% lower than in 2013; and US\$9.15bn in exports, a 1% increase on 2013.

The report points out that the increase in exports was driven by the manufacturing sector (up 2%). This was backed by an increase in exports from the electricity, gas and water sector, which climbed by almost 100%.

But the rise in the energy sector's exports came on the back of the highly unusual sale of electricity that Uruguay's state-owned electricity firm (UTE) made to both Argentina and Brazil in the regional spot electricity market due to the shortages experienced in the neighbouring countries, which netted the UTE over US\$3m by December 2014.

More problematically, the BCU data shows that primary sector exports fell by 1.8% in 2014. This as the volume of agricultural crops in particular experienced a sharp fall.

For the past couple of years Uruguay's agricultural producers have complained about a loss of competitiveness due to the country's high transport costs and the appreciation of the national currency compared with that of the country's closest neighbours and key trading partners: Brazil and Argentina. Producers also point to the trade restrictions imposed by Brazil and (mostly) Argentina as having negatively impacted them.

According to the BCU, while Uruguay's exports to the Americas marginally increased by 0.8% last year, there was a "pronounced drop" in exports to its fellow members in the Southern Common Market (Mercosur) - Argentina, Brazil, Paraguay and Venezuela. In contrast exports to the US and Canada were said to have undergone a "healthy increase".

As for imports, the BCU points out that the decline came on the back of lower imports of oil and oil derivatives (the country's main import category) followed by a less significant fall in food and basic industrial imports. In fact, according to the BCU, if the import of oil and its derivatives are ignored, imports actually increased by 1.8% year-on-year in 2014.

## EU suspends payments

While the British High Commissioner to Guyana, Andrew Ayre, threatened to withdraw development aid to the country, the European Union (EU) went one step further. On 23 January the EU announced that it was suspending some budget assistance to Guyana, specifically the latest payments on two ongoing aid programmes, providing 28.9m euros (US\$32.9m) for the sugar sector and 14.8m euros for sea defences. "The latest partial payments related to these two programmes have been temporarily put on hold until all eligibility criteria, inter alia budget oversight, are satisfactorily addressed," said the statement in response to concerns about supervision of State spending in the absence of a sitting parliament. Finance Minister Dr Ashni Singh accused the EU of "misinformation".

## CENTRAL AMERICA & CARIBBEAN

### GUYANA | POLITICS

## Ramotar goes to polls to end political crisis

Guyanese President Donald Ramotar has called general elections for 11 May, not far short of two years before they were constitutionally due. Ramotar's announcement comes after two months of political uncertainty following his impromptu decision to suspend parliament last November. Ramotar expressed his confidence that his People's Progressive Party/Civic (PPP/C), which has held sway in Guyana since 1992, would obtain a majority in the 65-member parliament that it failed to secure in 2011. Guyana's main opposition party, A Partnership for National Unity (APNU), is already in talks with the country's third party, the Alliance for Change, to forge an alliance to wrest power from Ramotar and the PPP/C.

Ramotar maintained, counterintuitively, that his primary motivation to prorogue parliament last November was to facilitate dialogue with the opposition and avoid further conflict. "In light of the opposition's sustained refusal to engage my government in the dialogue we anticipated ... I now move towards general elections," Ramotar said. The timing of his suspension, just prior to an opposition no-confidence vote that the government looked highly likely to lose, prompted doubts to be raised abroad over whether his self-professed "commitment to preserving and strengthening our democracy" really was "unquestionable".

Shortly before Ramotar called the elections, the British High Commissioner to Guyana, Andrew Ayre, said that the Commonwealth was considering sanctions against Guyana's government and a reduction of financial aid in response to the suspension of parliament - "a clear breach of the Commonwealth charter and breach of Guyana's constitution" - and the adamant refusal to stage local government elections since the PPP/C came to power. "Given that the stated reason for the prorogation was to have constructive talks with the majority opposition, and given that those talks are not going to happen, the UK is increasingly concerned as to what the basis for the suspension of parliament is and how long it will last," Ayre said.

"This country has gotten its independence from Britain since 1966," PPP/C General Secretary and National Security Minister Clement Rohee responded brusquely. "We don't have to listen to what Britain says..." The head of the presidential secretariat, Roger Luncheon, said Ayre "needs to be accorded the status of pariah", adding that his call to withdraw aid was "dastardly" (*see sidebar*).

The APNU is confident that it can end the PPP/C's long stranglehold on power. Many supporters of the PPP/C, primarily Indo-Guyanese, failed to turn out in the last elections in 2011, conveying their disillusionment with the ruling party's governance, amid mounting allegations of corruption and graft, through their collective abstention. The APNU, which draws its support predominantly from the Afro-Guyanese population, knows that persuading these disaffected supporters to switch allegiance is highly problematic, however, which is why it is trying to cement an electoral pact with the Alliance For Change, the country's third party which is looking to bridge the racial political divide.

The Alliance For Change is conscious of its potentially decisive role in the electoral outcome. As such it is likely to drive a hard bargain. It will want to see elements of its policy proposals adopted by the APNU, as well as being awarded possible cabinet ministries, should the party come to power.

## Fidel gives the nod, Raúl demands Guantánamo back

Restoring US-Cuba relations was never going to be a straight-line process but the US government is taking the position that open communications are better than none. Just days after his brother and predecessor Fidel Castro (1959-2008) appeared to give the nod to the historic deal between the US and Cuba to restore ties, President Raúl Castro used the III Community of Latin American and Caribbean States (Celac) heads of State summit in San José, Costa Rica, to reiterate some of Cuba's longstanding conditions.

### Fidel - not exactly enthusiastic

Fidel Castro wrote in Cuba's *Granma* on 26 January, that while he did not "trust the policy of the United States, nor have I had an exchange with them, this does not mean ... a rejection of a peaceful solution to conflicts or the dangers of war...Any peaceful or negotiated solution to the problems between the United States and the peoples or any people of Latin America that doesn't imply force or the use of force should be treated in accordance with international norms and principles...We will always defend cooperation and friendship with all the peoples of the world, among them our political adversaries". He continued: "The President of Cuba has taken the pertinent steps in accordance with his prerogatives and the powers given to him by the National Assembly, the Communist Party of Cuba." The comments were contained in a long letter to the Federación Estudiantil Universitaria, marking 70 years since Fidel matriculated at the University of Havana.

Meanwhile, at the Celac summit, President Raúl Castro commented that "The reestablishment of diplomatic relations is the start of a process of normalising bilateral relations. But this will not be possible while the blockade still exists, while they don't give back the territory illegally occupied by the Guantánamo naval base." He also demanded that the US end its longstanding transmission of anti-government radio and TV broadcasts and deliver "just compensation to our people for the human and economic damage that they've suffered [from the US economic embargo]". Although Castro didn't mention it, Cuba is also seeking removal from the US State Department's list of countries that sponsor terrorism. "If these problems aren't resolved, this diplomatic rapprochement wouldn't make any sense," he argued.

The State Department has yet to comment, but John Caulfield, the head of the US Interests Section in Havana until August 2014, said he did not think Castro's comments would damage the diplomatic efforts. He told the *Wall Street Journal* that these and other recent comments from the Cuban government might indicate that it is feeling some domestic pressure to move along with the process. "There is this huge expectation of change," he told the *WSJ*.

The head of North American affairs at Cuba's foreign ministry (Minrex), Josefina Vidal, stressed after her meetings in Havana last week with the US Assistant Secretary of State for Western Hemisphere Affairs, Roberta Jacobson, that the efforts to renew ties would be a "long process" and warned that "Cuba has never...and will never respond to outside pressures". This was in response to Jacobson's statement that "we pressed the Cuban government for improved human rights conditions, including freedom of expression". Jacobson tried to minimise the incident, but in comments likely meant for US domestic political consumption she noted, "The issue of human rights is fundamental for the US government... [and] yes, we have deep differences with the Cuban government...[but] our efforts to normalise relations will entail a long process and it will not be limited to re-establishing diplomatic ties or opening embassies".

### Guantánamo

The US established the military base at Guantánamo in 1903, and Cuba's Communist government has demanded its return since Fidel Castro first took power in 1959.

**Spying allegations**

Accusations regarding illegal spying have been levelled against former President Ricardo Martinelli (2009-2014) in the past. According to an August 2009 US embassy cable released by *Wikileaks* and signed by the then US ambassador Barbara Stephenson, Martinelli had “sent the ambassador a cryptic Blackberry message that said: “I need help with tapping phones”. Stephenson said that, “He made reference to various groups and individuals whom he believed should be wiretapped, and he clearly made no distinction between legitimate security targets and political enemies”. Martinelli has since dismissed the episode as a “misunderstanding”.

**Swings and roundabouts for Martinelli**

One of the biggest investigations into past government corruption in recent years is threatening a major headache for former president Ricardo Martinelli (2009-2014). This, together with a new wiretapping scandal, is having an impact on his (now opposition) Cambio Democrático (CD) party, which has already seen its presence in the 71-member unicameral congress dwindle following the restaging of various legislative contests at the tail-end of last year. All of this is likely to strengthen the position of President Juan Carlos Varela and the El Pueblo Primero (EPP) coalition government (led by Varela’s Partido Panameñista [PPA]).

Back in August 2014, an anti-corruption prosecutor announced a probe into the Programa de Ayuda Nacional (PAN), a government fund used for various initiatives aimed at improving disaster mitigation, nutrition and housing among other things [WR-14-35]. Since then two former PAN directors, Rafael Guardia Jaén (2012-2014) and Giacomo Tamburelli (2009-2012), have been arrested in relation to the alleged corruption, the full extent of which has yet to be revealed. In recent days both have admitted to signing off on irregular contracts for which both claimed they received orders “from above”. According to the confessions, which have been leaked by the local press, Guardia, who is now pledging to cooperate with the attorney general’s office, has reportedly named 12 people in relation to the case. These include Martinelli’s former secretary Adolfo ‘Chichi’ De Obarrio (who is reportedly in the US for “family reasons”) and a businesswoman, Praxedis Pinzón, who was arrested on 23 January at Tocumen airport trying to flee the country.

Juan Jované, an independent and respected leftist economist, also presented a complaint on 7 January before the supreme court (CSJ) calling for Martinelli to be investigated in relation to the PAN case (a move that would require him to be stripped of the immunity he currently enjoys as a member of the Central American parliament [Parlacen]).

**Wiretapping**

Martinelli is facing pressure on another front – illegal spying allegations. On 12 January Alejandro Garuz and Gustavo Pérez, former directors of the executive’s national state security council under Martinelli, were arrested for alleged illegal wiretapping. Two days later a national deputy for the opposition Partido Revolucionario Democrático (PRD), Zulay Rodríguez, presented a legal complaint claiming that she was the victim of alleged wiretapping – the first to be filed in relation to the case. The same day the local press reported that the attorney general’s office had a list of 150 people who had been illegally spied on, including businessman Stanley Motta, owner of Copa Airlines and one of the wealthiest men in Central America; and Erasmo Pinilla, the PRD-aligned president of the electoral court (TE) who had repeated clashes with Martinelli (who has faced accusations of spying in the past – see *sidebar*) ahead of last May’s general elections.

The various scandals are having an impact on the CD which is seeking to distance itself from Martinelli. On 26 January the national daily *La Prensa* reported that at least six CD deputies – Sergio Gálvez, José Muñoz, Dana Castañeda, Yanibel Ábrego, Vidal García and Héctor Valdés Carrasquilla – have failed to attend recent party meetings, raising questions about their future in the party. This, when the CD has seen its legislative presence dwindle in fresh elections held late last year after the TE cancelled 11 of the May 2014 legislative contests, citing concerns about the irregular use of State funds. Following the latest elections, the CD now has 25 seats in the national assembly (down from 30 initially won); the PRD has 26 seats (up from 25) and the EPP, 17 (up from 13). This gives the EPP and the PRD, which currently have a legislative pact, a combined majority of 43 seats.

### Quotes of the week

“I say with great respect to my female comrades: if women were not so capricious, if they didn't resent one another, women who are so honest and hardworking would rule in Bolivia. The only thing conspiring against them is when sometimes they fight one another.”

*Bolivia's President Evo Morales.*

“If a journalist says that he feels threatened, it's important to publish his whereabouts.”

*The impeccable logic of Argentina's cabinet chief Jorge Capitanich.*

“We have a collective obligation (every Guyanese) to ensure the protection of the democratic gains we have made and for which we have endured so much as a nation to secure.”

*Guyanese President Donald Ramotar.*

### Colombia's Santos moots post-conflict gendarmerie

Colombia's President Juan Manuel Santos is considering creating a new police force modelled on the French gendarmerie to carry out rural security in post-conflict Colombia. Before that is the simple matter of concluding the peace talks with the Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas in Cuba, which are scheduled to resume on 2 February. The Farc complained this week that military offensives were making the indefinite unilateral ceasefire it declared shortly before Christmas “ever more unsustainable”. Two Farc guerrillas were killed by the army in an operation in the central department of Meta over the weekend, but there has been a drop-off in the intensity of military operations.

Mexico's President Enrique Peña Nieto made the creation of a large national gendarmerie one of his flagship campaign proposals in 2012 but the proposal was progressively diluted to become a much smaller rural force along the lines of what President Santos seemed to be proposing during a visit to France this week. The proposed gendarmerie, or militarised police, would operate in rural areas where the Colombian military is currently fighting the Farc and the Ejército de Liberación Nacional (ELN).

Just as Santos was raising the possibility of a future gendarmerie in Paris, the defence minister, Juan Carlos Pinzón, was meeting the United Nations Secretary-General Ban Ki-moon in New York, where he signed a framework agreement for the Colombian armed forces to participate in future peace-keeping operations. Pinzón noted, “This is an important step towards consolidating the future of the armed forces,” which will need a new role in post-conflict Colombia.

The conservative political opposition Centro Democrático (CD) led by Senator Alvaro Uribe (president, 2002-2010) pounced on the proposal. Uribe hastily *tweeted* that “if the rural police is to be made up of demobilised Farc guerrillas, Colombians must say NO,” after Santos pointedly refused to rule out the possibility. CD Senator Alfredo Rangel went further, conflating the foreign trips of both Santos and Pinzón, and *tweeting* “Postconflict Santos: Army outside Colombia on peacekeeping missions, and in Colombia the armed Farc converted into military police... unacceptable”.



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