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## Honduran supreme court lifts constitutional ban on re-election

Events in Honduras in late April have begun to look like a mirror image (that is, an image in reverse) of those that led in June 2009 to the ouster of President Manuel Zelaya (2006-2009). The constitutional panel of the supreme court has ruled 'inapplicable' the very constitutional provisions whose violations by Zelaya triggered his removal from office. As in 2009, the course of current events has been anything but straightforward — to the point that Zelaya has become one of the most vocal critics of the court's ruling, on the grounds that it is "illegal and arbitrary".

At stake are the so-called *artículos pétreos* ("articles cast in stone") of the 1982 constitution excluded from the legislature's power to reform the constitution by a two-thirds vote — particularly the core Article 239 which bars the reelection of anyone who has served as President and penalises anyone seeking to change this (a provision strengthened by Article 42 and Article 330 of the penal code).

Before the supreme court were two separate suits demanding the nullification of the *artículos pétreos*. One was filed last December by 16 legislators (most of them of the ruling Partido Nacional) demanding the repeal of Article 239, and part of Article 42, as well as Article 330 of the penal code. The other was filed by former president Rafael Callejas (1990-1994) on 11 March, demanding that Article 239 be declared inapplicable.

The court's constitutional panel aggregated both suits and on 22 April found in favour of the plaintiffs, invoking the incompatibility of the challenged articles with the American Convention on Human Rights (also known as the Pact of San José) and the International Covenant on Civil and Political Rights, both ratified by Honduras in 1977. The key argument is that the *artículos pétreos* deny former presidents the right to be elected that these treaties enshrine.

This argument was invoked by former Costa Rican president Óscar Arias (1986-1990; 2006-2010) to get the constitutional panel of his country's supreme court to reverse the ban on reelection introduced in 1964. The court did so in April 2013 — but on the grounds that the constitutional ban had been vitiated by the violation of legislative procedures.

It has not been invoked with regard to the absolute ban on reelection embodied in Mexico's 1917 constitution, nor is it being invoked to oppose Colombian president Juan Manuel Santos's initiative to reinstate a ban on reelection (that had been lifted in 2004): this was approved by the Colombian senate in April this year, complete with a 'padlock' provision similar to the Honduran *artículos pétreos*.

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It was not invoked, either, at the time Honduras adopted its 1982 constitution, which establishes that ratified international treaties become national law. The reason for this reluctance to invoke treaty-enshrined rights against bans on reelection is that the latter do not actually deny the right to be elected, but only regulate that right in the same manner as terms of office.

A problem did arise with the 22 April ruling by the Honduran constitutional panel. It was initially signed by all five members of the panel, but that same day one of their number, José Elmer Lizardo, announced the withdrawal of his signature and the issue of a ‘dissident’ vote. This was critical, as in the absence of unanimity the decision would have to be voted on by the whole supreme court. This was overcome by the secretary of the constitutional panel, Carlos Almendares, invoking a provision of the law on constitutional justice which prevents “jurisdictional organs” from “varying or modifying their rulings once signed”. This was interpreted as meaning that the signed ruling was unanimous and therefore definitive; the ban on reelection was lifted.

The following day the ruling was published in the official gazette, which made it binding. President Juan Orlando Hernández, away in the US, said he would “respect” the ruling. “Re-election,” he said, “is the rule in the peoples of the world. Banning it is exceptional.” Mauricio Villeda, president of the opposition Partido Liberal (PL) described the ruling as having “trampled on the constitution”; PL leaders promptly filed a suit before the supreme court demanding that it be set aside.

Zelaya, now coordinator of his new party, Liberación y Refundación (LIBRE), said, “Had the court been serious it would have ruled that the demand made by former president Rafael Leonardo Callejas could only be satisfied by means of a plebiscite.” He has been floating the prospect of an alliance with other parties to prevent President Hernández from using the ruling to run for reelection when his term expires at the end of 2017. Zelaya and leaders of other opposition parties believe that Callejas, now 74, was only used as a foil to enable Hernández to seek re-election (which is refuted by Callejas).

PL president Villeda has floated the possibility of impeaching the constitutional panel of the supreme court (Honduras has only had an impeachment law since January 2013), but even if all opposition parties agreed they would still fall six seats short of the required two-thirds majority. Villeda also pointedly reminded the armed forces that they were custodians of the constitution, but up to the time of writing there has been no echo to this.

### **What happened in 2009**

In the last year of his term, Zelaya announced that he would call a non-binding “consultation” on whether the voters agreed to convoke a constituent assembly to reform the constitution. As congress already had the power to reform all but the *artículos pétreos*, this was seen as a ploy to circumvent the constitutional ban in order for Zelaya to run for reelection. A court ordered Zelaya to desist; he did not. When he ordered the military to start distributing the ballot papers, the chief of the joint general staff, General Romeo Vásquez, refused. Zelaya announced his dismissal, which was deemed illegal by congress and the supreme court. The court confirmed the lower-court ruling and ordered Zelaya detained for questioning. The military seized him and flew him to Costa Rica, violating a constitutional ban on banishment (the military have not been called to account for this). Zelaya’s term was completed by Roberto Micheletti, president of congress, next in the line of succession.

## Eerie echoes of civil war

**Gang alliance**

There has been some speculation that the two rival *mara* gangs, MS-13 and Barrio 18, have in some instances taken joint action against the security forces and agents of law and order. The police suspect that this was the case with the murder of a public prosecutor, Andrés Ernesto Oliva, on 6 March in the department of Usulután. It is difficult to imagine that such inveterate enemies could bury the hatchet at a national level but locally, under pressure from the security forces, it is possible.

The government led by President Salvador Sánchez Cerén is rolling out an aggressive public security strategy to combat El Salvador's *mara* gangs. Just three years after the previous government was behind a gang truce that led to a fall in homicides, Sánchez Cerén, a former left-wing guerrilla, has reverted to the *mano dura* (firm hand) initiative first introduced by the right-wing Alianza Republicana Nacionalista (Arena) administrations 12 years ago, leading to spiralling homicides. Sánchez Cerén has opted for a *super mano dura*. He has announced the creation of elite army battalions for the first time since the civil war (1980-1992) to be deployed to the country's violent 'hot spots' to take the fight to the gangs; imprisoned *mara* leaders have been transferred *en masse* from common jails back to a maximum-security prison; and the threat of extradition to the US now hangs in the air.

President Sánchez Cerén announced on 18 April the establishment of three special battalions of 400 soldiers each, as well as a rapid response unit within the national police force (PNC), to support an increasingly militarised fight against organised crime. They will be deployed to the 50 most dangerous municipalities. Sánchez Cerén did not outline the mandate of these new forces or how they will operate but the military's role seems to be going beyond mere patrols to actual operations. They will complement the 7,000 military personnel already on the streets.

This hardening of the government's approach to public security has raised human rights concerns. There is already a suspicion that security forces are using disproportionate force against gang members. The director of the PNC, Mauricio Ramírez Landaverde, has even admitted that there might be death squads operating within the security forces, another disturbing reminder of the civil war.

On the very same day as Sánchez Cerén announced the creation of the special battalions, nine members of the Barrio 18 gang were shot dead in the district of Ulapa Arriba, in Zacatecoluca, one of the country's most violent municipalities, located in the southern department of La Paz. According to the armed forces, a patrol of four soldiers was surprised by 30 gang members who tried to ambush them. Despite the disparity in numbers the patrol killed nine of their assailants while no soldier was even injured. An hour later Sánchez Cerén released a statement supporting the armed forces' account, but reducing the size of the gang to a slightly more credible "15-20".

Two soldiers were later killed in their homes: one that night in the municipality of Pachimalco in the department of San Salvador; and the other in the early hours of the following morning in the municipality of San Luis La Herradura in La Paz. Both areas are within the zones of influence of Barrio 18 – one of the two main *mara* gangs (with Mara Salvatrucha [MS-13], being the other). The murder of the soldiers smacks of the sort of retribution killings which the gangs administer on one another in their struggle for pre-eminence in congested drug transit zones. "You don't need to be very intelligent to conclude that these attacks were reprisals by the gangs on the armed forces for what happened," the defence minister, David Munguía Payés, said.

The government has also taken a more aggressive line with *mara* leaders. On 16 April 31 leaders of MS-13 and Barrio 18 were sent to the maximum security prison in Zacatecoluca, known as Zacatraz by the gangs. They will be held in special cells in solitary confinement designed to make communication impossible. This is a watershed moment. It definitively reverses the gang truce of March 2012, as the previous government had allowed many of these leaders to go to common jails.

## Fiscal incentives for Pearn's Point

Prime Minister Gaston Browne revealed that the government has awarded some fiscal incentives for the development of the Pearn's Point project "in the knowledge that Pearn's Point will significantly contribute to boost economic growth and development". Browne then urged the developers to hire as many local people as possible during and after the project's construction phase.

The first transfer of 14 *maras* leaders back to Zacatecoluca took place on 19 February. Since then violence has escalated alarmingly. March 2015 was the most violent month this century. The supreme court's legal medicine institute (IML) reported on 9 April that there had been 482 homicides in March compared with 312 in March 2014. This is a huge 54% year-on-year increase. It also surpasses the previous monthly high of 437 homicides in October 2009. Sánchez Cerén responded by saying that the figure needed to be seen in the context of the security forces taking the fight to the *maras*. He said 140 (one in every three) of these registered homicides were gang members killed in clashes with the PNC.

The gangs have also increased their attacks, however, on the security forces. Five police officers were killed in the first eight days of April alone, and 20 since the start of the year, as gangs have started targeting the security forces. One police officer was killed and another injured after an armed attack on 8 April on the Isidro Meléndez courts of law centre in San Salvador over which they were standing guard. Both the PNC and the armed forces have closed off or fenced off police stations and army barracks at night to avoid attacks.

The record-high murder rate last March raises questions as to whether matching violence with more violence is an effective security strategy. It did not work for Arena, and there is no shortage of leftists and social organisations disillusioned with the left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) government for adopting such a hard-line militarised public security strategy. It was only on 26 March that Sánchez Cerén led a 'march for life, peace and justice' along with 450,000 people nationwide.

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## TRACKING TRENDS

REGION | **Seeking to boost agricultural sector.** On 28 April the Organization of Eastern Caribbean States (OECS) announced that its Council of Ministers of Agriculture has developed a new agriculture plan that aims to "revitalise" the sector and reduce the region's food import bill. An OECS statement noted that in the last ten years, the OECS's food import bill had doubled to US\$480m a year. According to OECS secretary-general, Didacus Jules, one of the plan's main objectives is "for member states to back the local market". Jules explained that "for example, with ministries of education who have school feeding programmes, government will buy produce from farmers in the communities in which the schools are located.... It is not just revitalizing agriculture in a vacuum; it is about food security improving the national security profile, saving foreign exchange, boosting jobs in communities and it is an opportunity for us to begin restoring agriculture". Jules conceded that implementing the plan is going to "require a very concerted effort and a strong political will by all member states" but said that the positive impact that reducing the import bill could have on the regional economy made it worthwhile. "If you reduce your food import bill by US\$200m in these debt-ridden times that is money you are saving. You also have greater national security because you are more self-reliant on your own food... [and it] would also mean a great boost to rural employment".

ANTIGUA & BARBUDA | **Touristic complex.** On 27 April the government of Antigua & Barbuda announced that US firm, Setai, has been granted permission to build a new US\$300m five-star hotel in the Pearn's Point touristic complex located on Antigua's west coast. According to an official statement the development of the 55-acre project by Dutch firm, Orange Limited, will include, besides the new hotel, the construction of 70 residential villas and 70 condos with access to seven private beaches. The statement added that the project will "definitely trigger the island's economic development", while pointing out that United Nations Economic Commission for Latin America and the Caribbean has forecast that Antigua & Barbuda's GDP is set to increase by 5% this year.

**Squeeze on firms engaging in 'economic war'**

President Nicolás Maduro's counter-offensive against what he considers an 'economic war' has begun to fill the jails with people accused of collaborating in one way or another with the enemy. Maduro himself has singled out the umbrella business association Fedecámaras as a prime target and announced that he will be taking harsh measures against its members.

On 24 April the prosecutor-general, Luisa Ortega, announced that since January her office had arrested 1,711 persons on charges of contraband and hoarding foodstuffs and other basic-basket goods and otherwise creating scarcity. She said that 185 prosecutors will be deployed across the country to "fight against all these factors that tend to destabilise the country's economy."

The government's line is that the "economic war" is being waged by big business and is manifest in the artificial scarcity of basic goods and "induced inflation". A report issued last week by the Banco de España attributes the high inflation, which it puts at about 65%, to "the scarcity of foreign currency to import, the increase in the money supply to finance the public deficit, and the effective depreciation of the exchange rate due to the closure of the SICAD I and SICAD II markets and the opening of a new market on which the currency trades 93% below the official exchange rate."

The bank says, "The uncertainty regarding Venezuela's fiscal figures is very high, since the finance ministry has not published data for the public sector as a whole since 2011, or for the central government after 2013." It reckons that the Venezuelan economy is heading this year for a contraction of about 7%.

On 22 April the President said that Fedecámaras and the opposition are responsible for "all the sabotage and the economic war" and that he would not authorise "a single dollar more" to the association's members.

Fedecámaras president Jorge Roig replied, "This is not much more than hollow boasting [but] it does in itself reflect the discretionary management of the dollars as a political tool instead of as a tool for development."

The country's largest foodstuffs firm, Alimentos Polar, says that it has 203 requests for hard currency allocations pending authorisation which have burdened it with a debt of more than US\$83m and have shrunk the inventories of tuna, holding up the production of canned fish. Its branches' stocks of basic goods such as cornflour, rice, pasta, margarine, oil, soap and detergents, have fallen to the equivalent of less than two days.

Apart from this, interruptions of the power supply (which the government has been attributing to sabotage) have held up the processing of 226 tonnes of foodstuffs and halted the bottling of mineral water.

The company's 12 branches across the country have been subjected in the last week of April to 15 inspections by officials of the agro-foodstuffs superintendency and the health ministry. Over the past year Alimentos Polar has been subjected to 1,899 inspections by various public agencies.

**Homicides**

The newspaper *Última Hora* reports that there were 485 violent deaths, most of them homicides, in Caracas in March, 16% more than a year earlier. With a daily average of 16 violent deaths, March has been the most violent month so far this year. The report cites Medicina Forense as a source for the figures.

## Boosting energy ties with Brazil

Bolivia's hydrocarbons & energy minister, Luis Alberto Sánchez, and his Brazilian counter-part, Eduardo Braga, confirmed that both countries will sign an agreement shortly to develop two new bilateral hydroelectric projects. The announcement, which comes a month after Sánchez headed up a delegation to Brazil, takes place amid other signs of closer energy-related cooperation between Bolivia and its neighbours.

Following his visit to Brazil last month, accompanied by Eduardo Paz, the executive president of Bolivia's state-utilities company, Empresa Nacional de Electricidad Corporación (ENDE), Sánchez last week told reporters that ENDE and Brazil's state-owned utilities company, Eletrobras, were planning to ink a memorandum of understanding (MoU) to allow for feasibility studies into the design and construction of the proposed Cachuela Esperanza and Río Madera hydroelectric projects. According to Sánchez, the Río Madera project will generate around 3,000MW of power and the Cachuela Esperanza 700MW.

At the time of Sánchez's visit to Brazil last month, Bolivia's energy ministry issued a press release noting that the annual growth in Brazil's electricity demand is more than 3,000MW – a situation of interest to Bolivia, which has hydroelectric generating potential of some 40,000MW, of which some 20 projects capable of generating a total of 16,000MW have so far been identified. An April 2015 report by the national dispatch centre, Centro Nacional de Despacho (CDN), notes that hydroelectric energy accounted for 38.5% of the 1,681MW generated in the country in March 2015, while thermal energy accounted for 61% and wind 0.05%.

The new MOU, which echoes other moves towards closer regional energy cooperation (*see box*), comes a few months after Bolivia's state-owned oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), and its Brazilian counterpart, Petrobras, signed various agreements ending a dispute over outstanding natural gas payments (*see sidebar*) and paving the way for continued cooperation. As regards the latter, the two sides inked a series of addendums to the current gas supply contract between the two companies, under which YPFB is contracted to deliver 30m cubic metres of gas per day (mmcm/d) to Brazil until 2019. In February 2014, YPFB had already announced that it had signed a temporary contract with a thermo-electric plant located in Brazil's western city of Cuiabá to export 2.24mmcm/d to cover extra demand generated by construction projects ahead of the 2014 Fifa World Cup and 2016 Olympics. Under the new addenda, YPFB will continue this arrangement until 31 December 2016. Bolivia's exports to Brazil (98% of which are gas exports) were valued at US\$3.8bn in 2014 – amounting to 29.7% of Bolivia's total exports.

### LPG

The Bolivia-Brazil MOU is not the only sign of burgeoning cooperation between Bolivia and its neighbours on energy issues. On 26 April, Sánchez said that Bolivia had signed agreements to begin exporting liquefied petroleum gas (LPG) to Brazil, Uruguay and Argentina over the next few years. This has been made possible by a new liquid separation plant in the Gran Chaco, to be called the 'Carlos Villegas' plant in memory of the former head of YPFB, a close Morales ally, who died of cancer in January 2015. When it comes on stream in June, the Carlos Villegas plant – the third largest of its kind in South America – will be capable of processing 32.2 mmcm/d every day to produce 2,247 tonnes (t) a day of liquid petroleum gas; 1,658 barrels of gasoline per day; 1,044 barrels of pentane per day; and 3,144t of ethane a day.

### Debts settled

As per the August 2014 agreement, Petrobras agreed to pay off part of its outstanding debt to YPFB, for gas deliveries by compensating the company with US\$457.7m. Meanwhile, YPFB agreed to pay fines levied on it by Petrobras for gas supply interruptions that took place between 2001 and 2012.

### Organic quinoa - a registered trade mark

On 26 April the president of the Andean Parliament, Peru's Javier Reátegui, announced that the body had begun the process to register 'Organic Andean Quinoa' as a registered trademark. Reátegui said the aim is to protect and promote the production of the Andean grain, classed as a 'superfood' with high nutritional value by the Food and Agriculture Organisation of the United Nations (FAO), in the Andean region. He said that obtaining the registration will bring economic benefits to Andean quinoa producers, who would be able to demand a higher price. As Reátegui explained, "Many years ago we missed an opportunity when we failed to register potatoes... we gave the world a source of food that have saved it from [good] crises... we cannot miss this opportunity with quinoa".

PERU | **Poverty reduction.** According to a report released by Peru's national statistics institute (Inei) on 23 April, over 2.7m Peruvians were lifted out of poverty between 2009-2014, a 10.8% increase on the preceding five years. Inei's report on the evolution of poverty in the country found that last year 6.9m Peruvians, 27% of the population, were considered poor; while five years ago the figure was 9.7m, or 33.5% of the population. As regards extreme poverty, the report found this has been reduced by 5.2 percentage points to 4.3% of the population (1.3m people) in the last five years. Inei director, Alejandro Vilchez, who presented the report along with Social Development Minister Paola Bustamante and Finance & Economy Minister Alonso Segura, said that in 2014 alone, 289,000 people were lifted out poverty, which led to a 1.2 percentage point drop in the poverty rate compared with 2013. Meanwhile extreme poverty dropped by 0.4% in 2014 compared with 2013, meaning that 107,000 people, mostly in rural areas, are now no longer considered to be in this condition. These figures provide a boost for the government led by President Ollanta Humala, particularly given that Peru's economy has been suffering from a marked slowdown since 2013. Minister Segura expressed satisfaction with the figures, stating that these "demonstrate that the government's social policy on poverty alleviation is on the right track". Segura highlighted the growing role that government conditional cash transfer programmes have played in this progress, noting that these initiatives enabled those living in extreme poverty to boost their income per capita by 2.2% in 2010-2014. Bustamante was quick to point out that despite the less favourable economic conditions in recent years, social spending in areas such as healthcare and education has increased, helping to protect the poorest sectors of society. Humala hailed the poverty reduction figures, noting that "since 2013, on average, Latin America has not been able to reduce poverty as a consequence of the slowdown of the big economies and the fall in commodity, mineral and oil prices; but Peru is among the few countries that continue to reduce poverty particularly in rural areas". However, the local press has criticised the report, saying that it is neither clear enough how it identifies poverty by regions nor how the changes have taken place.

ECUADOR | **GSTC compliant.** On 27 April Ecuador's tourism ministry announced that Ecuador has fully adopted all of the standards set by the Global Sustainable Tourism Council (GSTC), the international body set up to establish regulations for sustainable tourism that "drives natural conservation and poverty alleviation". Ecuador is the first South American country to formally adopt the standards. The announcement was made during an event in Quito, where Tourism Minister Sandra Naranjo received a plaque from the GSTC confirming that Ecuador's tourism industry meets standards vis-à-vis conserving natural heritage and fostering conditions to make the tourism sector more competitive. The plaque was presented to Naranjo by Randy Durban, GSTC's executive director, who said that while "this does not mean that sustainability has been achieved, it acknowledges that standards for measuring progress made towards sustainability included in the GSTC criteria have been met". Speaking via video-link, Taleb Rifai, the director of the World Tourism Organisation (UNWTO), praised the Ecuadorean government led by President Rafael Correa, for taking the lead in promoting sustainable tourism in South America. Naranjo said that the GSTC's recognition was an important step forward in Ecuador's consolidation as a key travel destination and a pioneer of sustainable tourism in South America. "We feel proud because we are on the right path", Naranjo said. Ecuador signed up to the GSTC as part of its plans to become a leading tourism destination in the region after receiving the World Travel award for the Leading Green Destination last year. The Correa government, which has declared 2015 as "the year of quality tourism", has said that its objective is to retain the award this year.

## Funds for political parties

President Dilma Rousseff approved the federal budget for 2015, which tripled the amount of State funds assigned for the financing of political parties to R\$867.5m (US\$285m). Rousseff's decision not to veto the budget runs counter to her government's efforts to rein in spending elsewhere. However, with the ruling Partido dos Trabalhadores (PT), responding to the corruption at state-owned oil company, Petrobras, by moving to prohibit donations from private businesses, an attempt to veto the increase in party funds would have led to further tension between the President and her party.

## Senate committee approves electoral changes

The senate's constitutional and justice committee (CCJ, in the Portuguese acronym) approved changes in the electoral law which could introduce a new system of simple majority for the local elections in 2016. If approved by the lower chamber of congress, the new system would serve as a trial for a nationwide shake-up in electoral legislation that could weaken the ruling Partido dos Trabalhadores (PT), one of the main beneficiaries of the current system of proportional representation, and diminish the participation of smaller parties currently allied with the federal government.

The bill, put forward by Senator Jose Serra, of the main opposition Partido da Social Democracia Brasileira (PSDB), introduces a system of a simple majority vote in Brazilian cities with over 200,000 voters - 84 cities in total, of which 24 are state capitals. As such, these towns would be divided into constituencies of similar population size - in accordance with the number of councillors they currently have - with parties (or coalitions) able to put forward only one candidate each to represent each area. The candidate with the highest number of votes would then be elected to represent a single constituency within the municipal limits.

For supporters of the bill, the majority system would have the advantage of making elected councillors more accountable to voters, forcing politicians to be more responsive to the demands of their constituents. Significantly, it would also lower the cost of electoral campaigns (*see sidebar*). For instance, the city of São Paulo, would be divided into 55 constituencies (one for each seat in the municipal council), meaning candidates for each of these areas would just have to campaign to around 160,000 voters, rather than for the 8.8m voters that make up the municipality's total electorate, as is the case currently.

The arguments for and against the current proportional representation system and the proposed system of simple majority are well known. However, with Brazilians becoming increasingly disillusioned with the current state of politics, it is likely that changes will be introduced before local elections take place in October next year. "The solution for the political crisis in democratic institutions can be only be resolved with changes in the electoral system," Serra declared. The idea is to use the local elections as a test for a new electoral model to be introduced nationwide: the 84 cities that could see the introduction of the simple majority system in 2016 make up 30% of Brazil's electorate.

The CCJ bill must be approved by a simple majority in congress to take effect in local elections. However, a constitutional amendment will be needed for it to become valid for the federal legislative elections in 2018 and, for this to happen, proponents will need to amalgamate support from two-thirds of congress.

Any such proposal will be fiercely contested by the PT and small parties, as well as Evangelicals, whose representation in congress has been boosted on the back of votes given to well-known candidates, which are then shared amongst other lesser known party (or coalition) candidates under the current proportional representation system. Unsurprisingly, the PT opposed the CCJ bill and is putting forward a different proposal whereby voters would just pick a party in the ballot box, with the leaders of the successful parties to name their picks for congress. The CCJ bill also puts the senate in the driving seat for changes demanded by Brazilians, highlighting its recent divergences with the lower chamber of congress. On 23 April Eduardo Cunha, the speaker of Brazil's federal chamber of deputies, threatened to delay senate-approved legislation if the upper chamber failed to vote soon on legislation to expand outsourcing, which is opposed by Brazil's trade unions and not a priority in the eyes of most Brazilians, who are more concerned about corruption and the state of the country's economy.



## Illegal campaign funds

Last week, the electoral court summoned Petrobras's former director, Paulo Roberto Costa, and Alberto Yousseff, the black market money dealer at the centre of the corruption scandal in the company, for questioning over the former's statement that the latter requested R\$2m (US\$0.7m) to finance President Dilma Rousseff's 2014 campaign. Rousseff has denied any involvement in the scheme, but critics say she cannot deny her incompetence in her dealings with Petrobras, having served as mines and energy minister under her predecessor, Lula da Silva (2003-2011), and also as a member of the company's board for the last decade.

## Corruption cost and losses at Petrobras hit Brazil's development bank

Brazil's state-run oil company, Petrobras, finally published its audited financial results for 2014 and calculated it had lost R\$6.2bn (US\$2bn) due to corruption. However, the billion dollar losses were not only due to corruption and have cast doubts over the company's ability to explore Brazil's pre-salt oil reserves. The company's woes are also putting pressure on the national development bank, Banco Nacional de Desenvolvimento Econômico e Social (BNDES).

Petrobras was, in effect, forced to calculate the company's losses from corruption by its auditors, PricewaterhouseCoopers (PwC), which stated it would not sign off on the results to the markets if the company failed to do so. Significantly, Petrobras missed the deadline to issue its third-quarter results. If it had failed to issue its annual results by May it would have broken contractual clauses with its creditors and faced a technical default.

The calculation of losses due to corruption were based on witness statements that between 2004 and 2012 Petrobras paid 3% over the actual value of its contracts, notably with construction firms. The company's newly appointed president, Aldemir Bendine, however, conceded the figures were "conservative." According to Brazilian prosecutors, the money was used to pay bribes to politicians and finance political campaigns of the ruling Partido dos Trabalhadores (PT) and its allies. Indeed, last week, the party's former treasurer Joao Vaccari Neto was formally charged with laundering the kickback money back into the party's accounts.

Given this, market analysts believe that Bendine, who is close to the PT leadership, is not the most suitable man to lead Petrobras at a time when the company must show that it is independent of the crippling political interference that made it a magnet for corruption.

Significantly, the losses incurred by the company over the course of 2014 did not only include those related to corruption, and there are strong grounds for criticism of the management and overspend on some of Petrobras's infrastructure projects which have nothing to do with the money siphoned off by executives and politicians. Indeed, the company took an R\$44.6bn (US\$15bn) impairment charge over delays and other problems at flagship projects such as the Complexo Petroquímico do Rio de Janeiro (Comperj) and the Abreu e Lima oil refinery. These losses were a result of "problems in planning" as well as the falling value of the Real and the lower price of oil, the company said. In the end, Petrobras posted a net loss of R\$21.6bn (US\$7.3bn) last year, compared with a net profit of R\$23.6bn (US\$8.0bn) in 2013. It was the company's worst result since 1991, when it posted a loss of R\$1.21bn (US\$409m).

Petrobras now also holds the title of the most indebted oil company in the world, with a net debt of US\$106bn, a particularly unfortunate position to be in given that Moody's already downgraded its debt to junk earlier this year. Unsurprisingly, Morgan Stanley recommended its clients to sell their shares in Petrobras, prompting the company's stock to take another dive on the São Paulo stock exchange.

At least 750 Petrobras projects are under investigation and many of Brazil's top engineering and construction companies are under severe pressure, leaving projects stalled. Analysts believe this is already starting to affect key supply chains and industrial contracts, with the company now likely to have to sell assets.

With Petrobras "strangled financially," analysts are casting serious doubts over its ability to keep on track with the planned US\$154bn in investments, 60% of which is for the exploration of Brazil's pre-salt oil reserves. The plan

## Dengue and sanitation

The number of people infected with dengue in the state of São Paulo reached a historic record of 222,044 cases in the first three months of the year, with 125 registered deaths. According to a recent study conducted by Instituto Trata Brasil, it would take 129 years for Brazil to reach the targets set in the national plan of basic sanitation.

would have made pre-salt oil half of Petrobras's total production by 2018 and Petrobras one of the global top five oil producers. Yet the fall in the price of crude has made the pre-salt venture ludicrous financially and analysts expect the company will have no other alternative but to downsize its operations. Bendine told the Brazilian press the company would review its investment plan "in the face of the new realities."

Significantly, the company's woes are now putting pressure on the national development bank BNDES, which has financed many of Petrobras's projects, as international credit lines dried up following the 2008 global financial crisis. From 2005 to 2014, the BNDES lent R\$63.6bn (US\$21.5bn) to finance 30 projects of the Petrobras group, with the Brazilian treasury making capital injections through the bank so that the company did not have to seek credit among other Brazilian creditors, leaving them free to lend money to the wider economy.

The BNDES figure is well over the maximum 25% exposure to a single client in comparison to a bank's assets, which disqualify the relationship under central bank rules. Currently, several exemptions to the central bank regulations apply, but these exceptions will cease to apply as of 1 July, meaning that BNDES will have to reduce credit to Petrobras to comply by 2024.

Significantly, it will be difficult to bend the rules again with government critics calling for BNDES to be investigated to ensure the bank has not fallen prey of wrongdoers. They cite at least one possible case, in which the construction consortium responsible for building the Belo Monte dam, a project which the BNDES lent R\$22.5bn (US\$7.6bn), have been let off from paying a fine of R\$75m (US\$25m) to the bank despite failing to fulfil contractual obligations.

The development bank lent R\$187bn (US\$63bn) in total last year, some four times the amount lent by the World Bank. For critics, the BNDES has become some sort of "clandestine mint," with the Brazilian economy becoming increasingly dependent on the bank.

Brazil's two biggest public banks, Caixa Economica Federal and Banco do Brasil, however, extended combined debt to Petrobras worth R\$6.5bn (US\$2.2bn). Curiously, the lending was approved ten days before the company issued its audited results, leading critics to say they are being used as a "helpline" to Petrobras. According to economist Mansueto Almeida, a specialist in public accounts interviewed by newspaper *O Estado de S. Paulo*, the "exposure of public banks to Petrobras is excessive."

While analysts think the risk of a Petrobras default is too low to force the treasury to assign public money to support banks, public banks will undoubtedly hand over much less of their profits to the government. In the first quarter of 2014, public banks paid R\$5.9bn (US\$2.0bn) to the government. In the first three months of this year that figure has fallen to R\$1.3bn (US\$439m), putting further pressure on government accounts at a point when tax take is also on the slide.

According to the treasury, federal tax take fell by 2.03% in the first quarter of this year, compared with the same period in 2014, to R\$309.4bn (US\$104bn). This helped to push the government's budget into a deficit of 0.63% of GDP in the twelve-month period to February 2015, while the finance ministry is aiming for a 1.2% surplus target for this year. The federal government debt rose by 6.02% month-on-month in April, to R\$2.44trn (US\$0.8trn) - the highest month-on-month increase in five years, according to the treasury. According to the latest weekly central bank survey of market analysts, the market expects Brazil's GDP to shrink by 1.10% this year, with annual inflation reaching 8.25%, well above the government's 6.5% target. Unsurprisingly, Brazilians are digging into their savings, withdrawing a record R\$23.2bn (US\$7.8bn) from savings accounts in the first quarter of this year, compared with almost the totality of funds that were actually put in savings accounts in the whole of 2014 (R\$24bn/US\$8bn).

## Strange bedfellows: Fernández travels to Moscow

Alienated in their different ways from both the European Union (EU) and the US over the past year Argentina and Russia have strengthened their relationship with a flurry of diplomatic agreements. Almost 100 bilateral accords have been signed between Buenos Aires and Moscow in the past year, in the areas of energy, defence, technology and agriculture. Similarly, President Cristina Fernández has initiated a frenzy of diplomatic activity with China, to the extent that the Chinese ambassador has expressed a hope that the two countries will develop a “healthier” bilateral relationship in future. However, there are questions as to how durable these deals may be, given all of her likely successors have indicated they want to improve relations with the EU and the US (*see next page*)

### In Russia

On a two-day visit to Russia, Fernández met Russia business leaders in an attempt to persuade them to invest in Argentina, and she also held a breakfast meeting with President Vladimir Putin, after which the two signed agreements to boost trade relations via payment in their respective countries’ own currencies, in a symbolic attempt to shore up confidence in the rouble and the Argentine peso, both of which are under severe pressure at present. Arguably the most important result of the trip was an agreement between Argentina’s Nucleoeléctrica Argentina SA and Rosatom Overseas to build a sixth nuclear reactor in Argentina.

Russian sources state that Argentina currently uses Russian equipment to generate 20% of its energy, from turbines to entire hydroelectric plants. The new 1200MW nuclear reactor will be built at the Atucha nuclear power plant in Argentina’s Buenos Aires province, and supplied with enriched uranium from Russia. The deal follows an agreement in February this year with the China National Nuclear Corporation, which will build Argentina’s fourth and fifth nuclear power plants.

Argentina’s defence minister, Agustin Rossi, also held a meeting with his Russian counterpart, Sergei Shoigu, to discuss the purchase of three new MI-17E helicopters. According to Argentina’s State news agency, *Telam*, only the financing of the deal remains to be decided. Other cooperation, between the two countries’ navies, was also discussed during the one-and-a-half hour meeting.

### Vaca Muerta

Among the Russian business leaders present for the meeting with the Argentine president were the heads of the Russian state energy company, Gazprom, and five of its subsidiaries, as well as representatives from Lukoil, Rosatom and Power Machines. All were interested in hearing about the possibility of working with the Argentine state oil firm, YPF, to exploit the massive oil and gas shale reserves in the Vaca Muerta deposit in the province of Neuquén. According to the anonymous sources quoted by the Argentine daily *La Nación*, the president’s message to these companies was “everything is negotiable”, with the deal between Chevron and YPF cited as an example.

### Politics

Clearly, there was a strongly political element to the meeting. Fernández took time out from her official business to visit an exhibition dedicated to Eva Perón, as well as a museum celebrating the Soviet defeat of the Nazis. Both leaders declared themselves in agreement over the necessity of other nations to respect the “multilateralism” embodied by the United Nations. In effect, this boils down to Argentina’s gratitude for Russian support both over its Malvinas/Falkland Islands claim, and over its battle with the so-called “vulture funds”; and Putin’s appreciation of Fernández’s stance on Russia’s annexation of the Crimea. Both presidents, Fernández, said, “agreed on the need to declare the firmest condemnation of any kind of intervention by third parties in countries’ domestic affairs”.

### Argentine-Bolivian nuclear cooperation

In late March, Argentina’s planning minister, Julio Miguel de Vido, signed an agreement with the Bolivia hydrocarbons minister, Luis Alberto Sánchez, to expand cooperation to accelerate the development of Bolivia’s national nuclear energy programme. Argentina will help train Bolivian personnel at Argentina’s Balsiero Institute in Bariloche, and work with Bolivia on joint research projects related to nuclear technology.

## Primary successes mark start of Macri's presidential campaign

### Timmerman quits AMIA

On 28 April the foreign minister, Hector Timerman, submitted his resignation from the AMIA Jewish association. The foreign minister accused AMIA of “obstructionist actions” aimed at hindering the investigations into the bombing of the AMIA centre in 1994. Timerman, who is Jewish, was one of those accused, along with President Cristina Fernández, of “covering up” Iranian involvement in the attack by late special prosecutor Alberto Nisman.

When analyzing the results of the simultaneous, open and mandatory primaries (PASO) in the city of Buenos Aires, it is worth noting that the metropolis itself has long been an island of opposition in the Peronist stronghold of Buenos Aires province. Still, the centre-right Propuesta Republicana (PRO), the party of the city's mayor, Mauricio Macri, notched up an impressive victory on 26 April. Collectively, the party won 47.3% of the vote, with the social-democratic Energía Ciudadana Organizada (ECO) coming in second on 22.3% and the ruling Peronist Frente para la Victoria (FpV) trailing in third place with just 18.7%.

The victory was significant for Macri in two respects. First, it follows successes for PRO candidates in other PASOs in Mendoza and Santa Fe. Secondly, Macri's preferred candidate, Horacio Rodríguez Larreta, beat Senator Gabriela Michetti by 28.4% to 18.9%. Some political analysts put this victory down to Macri's intervention. Michetti is a powerful politician in her own right, and her decision to stand against Larreta caused a rift with Macri; a few months ago, Larreta did not seem likely to beat her. Now Michetti has accepted the result, and promised to support “Mauricio” in his race for the presidency; thus Macri has strengthened his position within the PRO and the country at large.

Perhaps slightly intoxicated with this suggestion, Macri gave a press conference in which he claimed the PRO could win the presidential election “in the first round”. On current trends this seems unlikely. Most opinion polls put Daniel Scioli, the governor of Buenos Aires province and the most likely FpV candidate for the presidency, in the lead, albeit narrowly, followed by Macri, with Sergio Massa, the former Kirchnerista-turned-opposition leader of the dissident Peronist Frente Renovador (FR) starting to slip into a more distant third.

In a press conference on 27 April, Macri specifically ruled out any kind of alliance with Massa to defeat the government's candidate, calling him “part of Peronism, albeit an alternative strand from the government”. The two maintained a brief electoral alliance in 2013. Macri also said that he had decided on his vice-presidential running mate, but he refused to reveal who it was. As for the successful bond sale by the government last week, Macri claimed it was based on the fact that investors were now anticipating change in October. “Many people are beginning to lend money to Argentina because there is going to be a change. Dollar flows are starting to rise, because of the expectations that our victories in these PASOs have generated”.

Still, President Cristina Fernández, whose approval ratings hover around a respectable 40% has yet to intervene in the presidential race. On a recent visit to Russia, she declined, once again, to be drawn on a possible successor. This is making life awkward for Scioli who appears to be keeping as low a profile as possible in order to say nothing that might contradict the president and jeopardise her future support. Waiting in the wings are other possible continuity candidates, such as Florencio Randazzo, the current interior and transport minister.

### Foreign policy

Interestingly, while Fernández has sought to avoid becoming a lame duck president by engaging in energetic diplomacy with Russia, China and even Iran and Venezuela, her three possible replacements have indicated they plan to reset Argentina's foreign relations priorities should they win in October. Perhaps unsurprisingly for a business-orientated candidate like Macri, his advisers have indicated he wants better relations with the European Union (EU) and the US.

So too does Massa, to the extent that both candidates have signed a document committing themselves to a radical change in foreign policy should they win power. Meanwhile an adviser to Scioli has told *El País* that while he would not seek such a radical break with Kirchnerista policy, he would look to restore relations with the EU and US.

## TRACKING TRENDS

### Brazil

#### unemployment up

The national statistics institute (Ibge) has released data showing that unemployment had risen to 7.4% in the three months leading up to and including February. This was higher than the 6.8% for the quarter which ended in January. This data is from Ibge's survey based on a large national sample of 211,344 households in 3,500 municipalities.

**ARGENTINA | Successful bond sale.** On 21 April Argentina sold around US\$1.4bn in US dollar-denominated bonds to local banks and institutional investors. The economy minister, Axel Kicillof, immediately claimed that the sale "buried the idea that no one wants to invest in Argentina". While the government will pay a high rate of interest, of 8.75% on the 10-year bonds, the fact that it was able to attract buyers at all is welcome news for the government. US District Judge Thomas Griesa has called for an urgent meeting with representatives of Argentina and so called 'vulture' funds to address the country's move to issue dollar-denominated debt.

**CHILE | Chile-China tax agreement.** On 21 April Chile's finance minister, Alberto Arenas, said that after 11 years, Chile had concluded its technical negotiations with China for the establishment of an agreement to eliminate double taxation. Arenas said that negotiating teams from the two countries had met in Beijing and settled on a draft agreement, which could be signed next month. According to Arenas, the draft agreement finalised in Beijing complies with the model agreement set out by the Organisation for Economic Co-operation and Development (OECD) and the highest international standards to prevent double taxation and tax evasion. Arenas added that all of this was "very good news for Chile" as once the agreement is in place it will help to "deepen trade relations with China".

**URUGUAY | Public-private investment.** Uruguay's economy minister, Danilo Astori, has revealed that the national budget over the five years that the government led by President Tabaré Vázquez will be in power will focus on public-private partnerships to guarantee the government's planned projects. "The challenges we have in terms of investment surpass the possibilities that the State alone can provide," Astori said. "This is why we will make a special effort to reach out to the domestic and foreign private sector," he added.

**PARAGUAY | Low soya yield.** On 27 April Paraguay's chamber of cereal and oilseeds exporters (Capeco) reported that the country's 2014/2015 soya harvest cycle has yielded 8m tonnes (t), 16.2% lower than the previous harvest cycle (2013/2014). The result is a blow for the Paraguayan economy as the country is the world's fourth largest soya exporter and oilseed is its main source of income. A Capeco report said the lower-than-expected yield was the result of high temperatures and low precipitation affecting the early-planted soya crops (those planted between August and September 2014), which led to a significant fall in the average yield per hectare (/ha). According to the report the total soya planting area in the 2014/2015 harvest cycle was 3.3m ha, slightly higher than the total planting area of the 3.2m ha recorded in the 2013/2014 cycle. However, the average yield for the 2014/2015 cycle was 2.4t/ha, substantially lower than the 2.8t/ha recorded in the 2013/2014 cycle. Capeco technical director, Luis Cubilla, said that last year many soya producers began planting much earlier than normal (October-November), with one-third of the total crop planted early amid fears of insufficient rain later in the year. However, this strategy did not pay off as the precipitation levels were low in August-September 2014. The drop in production comes as international soya prices have fallen by 32% in recent weeks. Back in February the US Department of Agriculture calculated that Paraguay would produce 8.5m t. of soya in the 2014/2015 harvest cycle. Capeco has put the cost of failing to reach that target at US\$1bn-US\$1.2bn in lost export revenue for the country, which will "negatively impact economic growth this year".

**CHILE | Codelco investment.** On 28 April Chile's state-owned copper mining firm, Codelco, the world's largest copper producer, announced it would invest US\$3.95bn this year, higher than the US\$3.37bn the firm invested in 2014. Codelco CEO, Nelson Pizarro, said the investment plans would focus on overhauling old mines in a bid to increase production while at the same time significantly reduce production costs. Oscar Landarretche, the president of Codelco's board, said that the investment plan would be financed by capital contributions from the government to the tune of US\$800m and via the re-structuring or issuing of new debt.

## Unrest in the north threatens electoral preparations

“Interior minister Miguel Ángel Osorio Chong rushed to Reynosa in Tamaulipas on 27 April to preside over an emergency meeting of the national security commission. Just under a year ago, in May 2014, Osorio — in response to an earlier escalation of violence in the state — launched Plan Tamaulipas, which involved the deployment of federal forces (army, navy, federal police and Gendarmería), and the appointment of military commanders in four regions. He predicted that “results” would be felt within a matter of months.”

**The federal government has been reacting anxiously to surges of violence that might jeopardise forthcoming midterm elections. Inter-gang fighting in Tamaulipas and continuing protests about the Iguala mass abduction in Guerrero, plus sympathy actions in other states have commanded most attention.**

Interior Minister Miguel Ángel Osorio Chong rushed to Reynosa in Tamaulipas on 27 April to preside over an emergency meeting of the national security commission. Just under a year ago, in May 2014, Osorio Chong — in response to an earlier escalation of violence in the state — launched Plan Tamaulipas, which involved the deployment of federal security forces (army, navy, federal police and Gendarmería), and the appointment of military commanders in four regions. He predicted that “results” would be felt within a matter of months.

Last February the minister was back in Tamaulipas, describing that state as a “conflict zone”. Between then and 18 April in northern Tamaulipas there have been four major armed confrontations between security forces and gunmen from warring factions of the *Cártel del Golfo* (CDG), 11 attacks on police or military patrols, two ambushes and two major inter-gang confrontations.

On 13 April the US State Department had said in a travel warning, “State and municipal law enforcement capacity is limited to nonexistent in many parts of Tamaulipas. Violent conflicts between rival criminal elements and/or the Mexican military can occur in all parts of the region and at all times of the day. Violent criminal activity occurs more frequently along the northern border.”

In Mexico City the national security commissioner, Monte Alejandro Rubido, tried to play down the crisis claiming that the federal government was gradually reducing levels of violence in Tamaulipas. He said that 14 out of 15 top gang leaders in Tamaulipas had been “neutralised” (13 had been arrested, one killed). However, armed clashes in the Reynosa-Matamoros area continued to be reported throughout the last week of April.

The violence in Tamaulipas has also been affecting preparations for the elections across northeastern Mexico. On 26 April the national electoral institute (INE) said that road blockades in Reynosa had forced it to postpone the delivery of the official electoral register for the neighbouring state of Coahuila.

In Guerrero the relatives of the students abducted in Iguala, backed by the teachers’ union CETEG and students from other states held a rally in front of the state congress, which turned violent when some students seized and torched delivery vans. The relatives had called upon the INE to cancel the elections because of the connections between candidates and organised crime, but were rebuffed. Sympathy demonstrations by students and teachers turned riotous in the far southern states on Chiapas and Oaxaca.

- The Inter-American Human Rights Commission has urged the federal police to examine two new possible locations of burial pits identified by relatives.

## Government 'must disclose' data on missing persons

“On 25 April IFAI ordered the SENSP to disclose “in how many of the cases of disappeared persons listed in the national register of missing and disappeared persons (RNPED) a preliminary inquiry has been initiated, or a detailed report filed, or neither.” This information had been formally requested by a private citizen. The SENSP had said it could not comply because the RNPED organises all the information provided by the federal procurator-general’s office (PGR) and there had been no instructions to produce the requested breakdown. It told the applicant to seek the data directly from the prosecution services of the states.”

Mexico’s federal government has been ordered to disclose how much it has done to investigate reports of missing persons. The order came from IFAI, the agency charged with ensuring compliance with the freedom of information law, after the executive secretariat of the national public security system (SENSP) twice claimed that it did not have the data. In a parallel development the foreign relations ministry toned down its recent spat with the United Nations Human Rights Council over its claims about ‘generalised’ practice of torture in Mexico.

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The applicant insisted, noting that the PGR and the interior ministry had announced that working parties had been set up to “update the complaints, preliminary inquiries, investigation dossiers and detailed reports.” IFAI commissioner María Patricia Kurczyn concurred, saying that the law creating the RNPED obliges all administrative or judicial authorities that learn of missing persons should report it to the national register with all the details that might contribute to expanding the information.

The IFAI ordered the SENSP to conduct an “exhaustive search” in all of its administrative units in order to provide the information sought by the applicant.

In a related development the International Committee of the Red Cross (ICRC) announced that it had reached an agreement with the Mexican government whereby it would help develop legislation on disappeared persons in line with international parameters. ICRC president Peter Maurer said that he had noted “a change of attitude” on the part of the government. He also noted that the government had shown “great interest” in the ICRC’s experience with authorities of other countries that resort to force to maintain order.

### Torture

The Mexican foreign relations ministry has stated that its “differences” with the claim made by Juan Méndez, rapporteur on torture of the UN Human Rights Commission, that the practice of torture in Mexico was “generalised”, have been overcome. This came after the ministry produced and published its observations on Méndez’s report, in which it notes that the rapporteur uses the term “generalised” to mean “acts that are not isolated”. This, says the ministry, “contrasts with the ordinary definition of the term and its international juridical interpretation.”

In its comments the ministry notes that Méndez states that he did not personally receive any firsthand reports of torture and that he had been given reports on 12 of 14 cases that he brought to the attention of the authorities. It also points out “inconsistencies” in the report that actually “reduce undeniably and significantly the universe of cases in which the practice [of torture] is alleged”.

On the other hand the ministry says it was pleased with Méndez’s analysis of the legislation and public policies regarding torture that were recently adopted.

## Quotes of the Week

“Where are Romeo Vásquez, Micheletti and the *camisas blancas*?”

*Honduras's former president, Manuel Zelaya (2006-2009), responds to the CSJ's ruling paving the way for reforming the constitution to allow for presidential re-election.*

“They are going to ask for so many special powers that it is practically like closing down congress”

*Partido Aprista Peruano (PAP) deputy, Mauricio Mulder, comments on plans announced by Peru's newly appointed Prime Minister Pedro Cateriano to request special legislative powers from congress.*

“We have returned to capital markets at accessible rates because we have honoured [our] debt, but not cheating and usury... cheating cannot be honoured, it is prohibited by God, the Torah and the Koran”

*Argentina's President Cristina Fernández hails the recent issue of sovereign bonds in the domestic market.*

## POSTSCRIPT

### Pérez Molina bows to pressure over CICIG

Guatemala's President Otto Pérez Molina has confirmed that he will formally ask the United Nations (UN) to renew the mandate of the UN-backed Anti-Impunity Commission in Guatemala (CICIG) – which was due to expire in September - for another two years.

Having already come under considerable domestic and international pressure, arguably Pérez Molina had little choice but to renew Cicig's mandate, which began in 2007, against the backdrop of one of most serious corruption scandals in government in recent years [WR-15-16]. His announcement, on 23 April, was well received by the international community. With US Vice-President Joe Biden having reportedly conditioned US support for the new Plan Alianza para la Prosperidad (PAP) - a partly US-funded regional development plan involving Guatemala, El Salvador and Honduras – on Cicig's extension, the US Secretary of State John Kerry on 24 April said the decision was “a major step forward in the fight against organized crime”. Kerry noted that “CICIG's continuing role in Guatemala will advance the goals of Guatemala and the United States, as articulated in the Plan of the Alliance for Prosperity in the Northern Triangle”.

The announcement has yet to reassure Guatemalan voters however, who are likely to punish Pérez Molina's ruling Partido Patriota (PP) in the upcoming September general election. On 26 April one of the largest anti-government demos in recent years took place, calling for the resignations of both Pérez Molina and Vice-President Roxana Baldetti – whose former private secretary, Juan Carlos Monzón Rojas, allegedly ran the contraband ring at the centre of the latest scandal. In the protests, organised by civil society sectors, some 20,000 people took to the streets in Guatemala City, on local press reports. There were also demos in the departments of Quetzaltenango, Cobán, Alta Verapaz, Huehuetenango, San Marcos, Petén, Mazatenango and Sololá.

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