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Is Argentina's presidential election becoming a two-horse race?

The third-placed candidate in Argentina's presidential election contest on 25 October, Sergio Massa, is losing ground to the two leading candidates, Daniel Scioli and Mauricio Macri, opinion surveys suggest. On 26 May, Humberto Zúccaro, the mayor of Pilar in the province of Buenos Aires, announced his decision to abandon Massa's Frente Renovador (FR) and return to Scioli and President Cristina Fernández's ruling Frente para la Victoria (FPV) - two rival factions in the Partido Justicialista (PJ, Peronist). The danger for Massa is that as he slips in the opinion polls, others may follow Zúccaro's lead, jumping ship to either the FPV or Macri's centre-right opposition party Propuesta Republicana (PRO).

According to the latest Management & Fit poll, published on 24 May, Scioli and Macri are on 33.3% and 32.3% of voting intentions respectively, the distance between them well within the 2% margin of error. Massa, a former Kirchnerista turned alternative centre-left candidate, has fallen a point since the last M&F poll, and is now on 13.8%. The poll consulted 2,400 people aged between 16 and 70 by telephone between 11 and 20 May.

Though Scioli looks almost certain to be the continuity candidate, he has an on-off relationship with President Fernández and her clique. As such, Florencio Randazzo, the interior and transport minister, who is also running for President may secure the FPV's nomination. However, an OPSM opinion poll carried out within the party showed Scioli, the current governor of the province of Buenos Aires, with a 51.1% to 42.5% lead over Randazzo among party members.

In a major rally on 25 May to commemorate the 1810 revolution, which began the Argentine war of independence, Fernández declined once again to endorse either candidate. In a nod to the fact that perhaps neither of her possible successors represents exactly the strain of politics she would like, Fernández asked the crowd to allow the next President "to make the decisions he has to take, because I am sure he will take the right decisions". Most analysts expect even the Kirchnerista candidates to take a more orthodox approach to economic policymaking, with some kind of fiscal adjustment probable.

Fernández expressed confidence that the "project" of Kirchnerismo would continue, insisting that the policies implemented by herself and her late husband, former president Néstor Kirchner (2003-2007), represented "a collective project, not that of one person. It depends on all of you to continue," she said. Fernández also dwelt on the fact that none of the current presidential candidates plans to unpick her more successful policies, such as the universal child allowance and the nationalisation of Aerolíneas Argentinas or the energy company YPF. "If everything changes every four years, things remain the same," she said. "That is why our 12-year transfor-

Hunted becomes hunter

While Argentina continues to vilify the “vultures” who demand 100% plus interest on their defaulted government bonds, a report by the news agency *Bloomberg* claims Argentina has been just as unforgiving with its own loans. In 2006, Cuba asked for a write-down of its US\$2.4bn debt to Argentina, but the government at the time, led by Néstor Kirchner, refused. The debt is now believed to be around US\$11bn. Argentina is also demanding Paraguay repay an US\$18bn debt from the construction of the Yacyretá hydroelectric dam, according to the newspaper *ABC Color*.

mation process must go on. [...] Those who want change should tell Argentines what kind of change they want.”

A day later Scioli said that if he succeeded Fernández he would not implement austerity measures, and instead praised the work of Axel Kicillof, the economy minister, who may run as a vice-presidential candidate. “If there is one thing Argentina does not need, it is austerity,” he said. “It needs gradual measures,” he said, that build on the path started by Kirchner and continued by Fernández.

The opposition

Meanwhile Macri, the current mayor of Buenos Aires, has ruled out entering into coalition with Massa to field a single opposition candidate for the governorship of the province of Buenos Aires. Macri’s refusal to contemplate such a move suggests he feels confident that the presidential election is turning into a two-horse race between himself and Scioli. Buenos Aires matters, as it is the province where around 40% of Argentines live. It also has a strong history of Peronism, which means Macri may struggle to ensure his PRO candidate, María Eugenia Vidal, wins. Still, Macri was emphatic. “We have been very clear and respectful about the Frente Renovador,” he said. “We believe it is part of the Partido Justicialista [like the FPV]. The PJ has been ruling the country for 25 years, they have made a lot of promises and they have fulfilled very few.”

In 2013, Macri and Massa entered into an alliance against the government in local elections, but it appears there will be no repeat of that deal. Fearful that their candidate will be eclipsed in the presidential race, more middle-ranking FR politicians may now think that it is a good time to switch sides and seek a place in the nomination lists of the two frontrunners.

Football and politics

On 21 May, the Brazilian football club Cruzeiro travelled to Buenos Aires to take on the Argentina’s River Plate in the latest round of Latin America’s Copa Libertadores. River Plate went through this round by default after their encounter with their Buenos Aires-based rivals, Boca Juniors, was abandoned at half-time on 14 May after Boca fans doused River players with pepper-spray as they left the pitch. Boca Juniors were subsequently thrown out of the Libertadores, fined US\$200,000 and will have to play four home games behind closed doors.

But the implications of this act of hooliganism go beyond football. Boca vs River matches bring Argentina to a standstill; all of the electorate will have an opinion on what happened. Mauricio Macri was the president of Boca Juniors for 10 years. Daniel Angelici, the current president of the club, is a close ally of his. In a country where no conspiracy theory is too outlandish, rumours immediately began to fly after the match was abandoned.

First, one of the Kirchnerista presidential candidates, Florencio Randazzo, immediately took to the airwaves to condemn the violence and the “directors” who failed to stop it. Government supporters claim the broadcaster, Fox Sports, went to great lengths to avoid mentioning the president of the club, as a way of ensuring none of the blame spilt onto Macri and his allies. Macri supporters, however, wonder if it was a set-up job by government allies to make the opposition candidate look bad.

Another theory posits that the violence was in Macri’s long-term interests. Angelici has long advocated a reform of the iconic, if somewhat dilapidated and unsafe, Bombonera stadium, along the lines of the Maracanã in Rio de Janeiro. Such a reform would clearly favour the property developers and building companies who have benefited from Macri’s tenure as mayor, and would likely lead, as it has in Rio, to the sport becoming more elitist: ticket prices would rise to pay for the stadium’s renovation, with the implicit assumption that this would reduce the presence of trouble-makers.

Angelici’s proposal has been fiercely resisted by Boca fans - but the latest incident may help his case. The elections for club president will take place in December this year, just after the general election.

Bachelet contrite but sticking to her guns**New constitution**

Camila Vallejo, a former student leader and now a deputy for the Partido Comunista de Chile (PCCh), responded to President Bachelet's failure to clarify how she intends to proceed with constitutional change in September by saying "it is still not clear if this process will be to create the new constitution or to define the mechanism". The presidents of the constitutional commissions in both the senate and the lower chamber, Alfonso de Urresti and Leonardo Soto respectively (both members of Bachelet's Partido Socialista), called for the government to clarify its intentions. The Chilean political analyst, Patricio Navia, wrote in *El Líbero*: "Bachelet exposed the profound division that exists in her government... since she did not specify who will cut the cake and who will be in the kitchen drafting the final content of the new *magna carta*".

President Michelle Bachelet delivered a two-hour state-of-the-nation address on 21 May that raised more questions than it answered. Bachelet has endured a torrid few months, which she spun as "a complex and intense year", with a corruption scandal rocking the political establishment to its foundations and battering on the doors of her family life. While avoiding any direct reference to this, she admitted to "failings" and promised they would not be "swept under the carpet". But she insisted that her government was delivering on its promise to provide free universal education; that a labour reform reviled by the business sector would proceed; and that she would draft a new constitution in September, although she was swiftly slated for failing to elucidate by what means.

President Bachelet gave an overview of her troubled year. She focused on the education reform pushed through by her government. Within two years, she said, follow-up legislation would enable 70% of Chile's students from the most disadvantaged backgrounds to receive free education (still some way short of her pledge to provide free universal education). She also said that her government would table initiatives to reactivate the economy and push through a labour reform demanded by the umbrella trade union Central Unitaria de Trabajadores (CUT) and censured by the business sector, which argues that the two are mutually exclusive. The labour reform will strengthen trade unions and end the current law enabling employers to replace employees on strike: the CUT sees it as "a tremendous step towards social equality"; the private sector as hindering rather than revitalising economic growth.

In a sign that neither the approved education reform nor the pending labour reform have completely satisfied students and trade unions, the CUT and student organisations carried out a protest march outside the congressional building in Valparaíso where Bachelet was delivering her address. Some 6,000 protesters gathered. There were some violent clashes with Carabineros, as dozens of hooded protesters broke into local stores, leaving 20 people injured and a further 37 in police cells.

Bachelet also promised to move ahead with a new penal code to punish economic crimes, as well as anti-corruption measures and drafting a new constitution. She said there was "an urgent need to prevent influence peddling and conflict of interest [as] the people have said 'enough' to abuses, privileges and corruption in politics and business".

The president of the ultra-conservative opposition Unión Demócrata Independiente (UDI), Senator Hernán Larraín, accused Bachelet of being "out of synch with the country" which he said was "economically paralysed with serious questions about the political class [above all, it should be said, the UDI]". Larraín said that Bachelet had shown "a kind of self-criticism" but that there were "no important announcements". He also bemoaned the fact that she had still not revealed the process and mechanisms she would employ to carry out her proposed redrafting of the constitution.

The UDI was not alone in criticising the omission of any detail on this front. The ruling Nueva Mayoría coalition is divided over the matter: the more radical parties favour a total rewrite of the constitution by a constituent assembly; the more moderate parties, constitutional reforms.

Rousseff unveils budget cuts

“Mexico has brought me some luck,” President Dilma Rousseff said on 26 May, while on a state visit to the second-largest economy in Latin America. She was referring to the Brazilian senate’s decision to approve, by a narrow margin, the first of a package of spending cuts, deemed essential to restore the confidence of international investors in the Brazilian economy and reach the finance ministry’s target of a primary budget surplus of 1.2% this year. On 22 May, Rousseff’s government announced that it would cut a total of R\$69.9bn (US\$22.5bn) from the 2015 annual budget. But to do this, Rousseff will need a compliant congress, and some more luck.

The absence of the finance minister, Joaquim Levy, at the event to announce the target for the cuts sent the anti-government press into full speculative mode. It was clear Levy had wanted to cut more, but political considerations, including the opposition of much of Rousseff’s own Partido dos Trabalhadores (PT), limited the President’s room for manoeuvre. With rumour rife that Levy’s absence, due officially to a heavy cold, was evidence he was about to leave the government, the finance minister felt obliged to hold a press conference on 25 May dismissing that there was any disagreement between himself and the rest of the executive. Both the São Paulo stock exchange (Bovespa) and the value of the Real had wobbled on rumours of his departure.

Given the difficulty the government has already had in passing some of its fiscal adjustment bills through congress, the target for the cuts released on 22 May could simply be more politically realistic than the R\$80bn Levy was reported to favour. Many of the bills, including those relating to unemployment benefits and pension rights, have been watered down to secure congressional approval, prompting Levy to assert that there was a direct correlation between spending cuts and tax rises, and that the fewer cuts that were made, the more taxes would need to rise.

At the press conference, Levy said the government had a revenue problem. “Over the past few years, revenues have been insufficient to meet government needs. We’re seeing this year that revenues have not been very meaningful either,” he said. Last week the government revised down its projection for the retraction of Brazil’s 2015 GDP, from -0.9% to -1.2%. According to the planning ministry’s own figures, Brazil’s economy is expected to contract by nearly one quarter in US dollar terms this year, due both to the recession and the depreciation in the value of the Real.

Political gains

Perhaps another reason for Rousseff’s cheer in Mexico was the news that Eduardo Cunha, the speaker of the federal lower chamber and a perennial thorn in the government’s side, had suffered a double defeat in congress. Cunha, from the nominally government-allied Partido do Movimento Democrático Brasileiro (PMDB), had brought forward a constitutional amendment to change Brazil’s electoral system and campaign financing. He wanted to scrap public funding for election campaigns, so they would rely purely on private financing; and abandon Brazil’s system of proportional representation for a system of one winner per electoral district. Neither amendment cleared the two-thirds majority required to alter the constitution, though over 200 deputies supported each measure.

Further amendments on political reform will be put to the chamber over the next few days, though Cunha, reconciled to defeat, said he does not now expect any to pass. While Cunha has proved an energetic and capable government adversary, the defeat shows the limits of his power. It was not all good news for Rousseff however. On the same day leaders of the main opposition parties filed charges with the attorney general’s office against Rousseff, accusing her of “fiscal deception” carried out by the treasury with money from state-backed banks.

Cerveró sentenced

Nelson Cerveró, the former international director at Petrobras, the state oil company, has been sentenced to five years in prison for money laundering. He is the second, and most senior, executive from the company to be convicted over the Petrobras corruption scandal. Cerveró’s lawyer said the sentence had been rushed and that his client plans to appeal.

Vázquez secures support to reform Mercosur**Automobile industry**

Total exports of vehicles from Uruguay's automobile industry fell by 28.2% year-on-year in the first quarter, according to the Uruguayan union of exporters (UEU). And 2014 figures were poor. Last year automobile exports fell by 9.9% year-on-year. The entire staff of 320 at the Chery factory in Paso Carrasco, in the southern department of Canelones, has been sent home. Other car manufacturers are also feeling the pinch in Uruguay, according to the president of the chamber of automotive industries (CIAU), Ramón Cattáneo, with production and sales down.

President Tabaré Vázquez left Brasília after an official visit on 21 May with more than any Uruguayan head of state has achieved since 1991. That was the year that the Southern Common Market (Mercosur) was formed, since when it has failed to shed the tag of imperfect customs union, in large part because of unilateral trade protectionist policies by Argentina, in particular, but also Brazil. Uruguay has pushed unsuccessfully for greater openness, or at least a release from the fetters precluding individual states from pursuing unilateral trade deals. No longer. Brazil's President Dilma Rousseff joined Vázquez in expressing unequivocal support for the freedom to negotiate individual trade accords, and she defined the world's longest-running free trade talks between Mercosur and the European Union (EU) as "a priority".

Uruguay has long pointed to the inconsistency of the rigid application of founding regulations when it comes to having to negotiate trade treaties as a bloc but the considerable latitude extended to the bloc's bigger members to erect unilateral trade barriers in contravention of the founding precept of free movement of goods. This owes in part to weak supranational institutions but also to the asymmetrical relationships within the bloc. Since Venezuela became a full member in 2012, and it became impossible to preserve the pretence of an integrated customs union, Uruguay and Paraguay have intensified calls for greater freedom from internal strictures on negotiating trade deals. Brazil is now listening.

"We're neither naïve nor impatient but we would not be sincere if we were to say that Mercosur, as it is, satisfies us," President Vázquez said. He insisted that it was "necessary and urgent to align the bloc with the political and economic realities of the time [to] re-establish its credibility," and to reach an agreement over the desirability of "different rhythms and speeds in negotiations". President Rousseff concurred. For the first time in public, she admitted that Mercosur must "always adapt to new circumstances" and should revise the 15-year old regulation stipulating that all members must negotiate trade deals as a bloc.

Rousseff was careful to sprinkle her comments with praise for Mercosur, which she described as "an ambitious project" with "impressive results", notably the expansion of internal trade by a factor of 10 in two decades. But the decision by Brazil to switch camps should be decisive. Brazil is the bloc's powerhouse – and it also happens to hold the pro tempore presidency of Mercosur. Argentina, and an increasingly dysfunctional Venezuela, are now isolated in defending the existing rule.

Reaching a trade deal with the EU will be more complicated, not least because of protectionism on the other side of the Atlantic, notably from France's powerful agricultural lobby. But with Brazil keen to advance faster to inject some life into its lacklustre economy, and Argentina facing the prospect of not being party to a deal if it fails to adapt, the talks should receive a fresh impetus this June.

Rousseff also revealed that her government would announce a bidding process next September for the construction of a second bridge over the Yaguarón river, which straddles the border between Uruguay and Rio Grande do Sul. Both heads of state said the new bridge would boost bilateral trade, which reached a record US\$4.9bn last year. Sustaining the rhythm of that trade during Brazil's slowdown, however, is a serious concern for the Vázquez administration. On 18 May the Chinese automaker, Chery, revealed that its entire workforce in Uruguay is now on unemployment insurance because the fall in demand in Brazil has paralysed production (*see sidebar*).

Bomb blasts shake peace talks**Guapi bombing**

The guerrillas killed in the bombing raid in Guapi formed part of the bloc which carried out the devastating attack in Cauca last April that claimed the lives of 11 members of the military. President Santos described the bombing as a “legitimate action in defence of the State and protection of its people which the majority of Colombians will applaud”. He did say, however, that seeing parents bury their sons, “whether they be guerrillas, soldiers or civilians, pains the heart”. “How many more people need to die to understand that the time for peace has come?”

President Juan Manuel Santos made a series of significant gestures to the Fuerzas Armadas Revolucionarias de Colombia (Farc) over the last week with a view to expediting the peace talks in Cuba, but they had nothing like the impact of a series of military bombing raids, which have claimed the lives of some 40 guerrillas. The Farc promptly abandoned the indefinite unilateral ceasefire it declared last December. While the guerrillas stressed their continued commitment to the peace process, if their likely retaliation claims anything like as many military casualties, the Santos administration would be compelled to suspend the talks.

President Santos announced the impending departure last week of the cabinet minister most reviled by the Farc and its negotiating team in Havana: his bellicose defence minister, Juan Carlos Pinzón. Pinzón, a frequent target of Farc criticism for his verbal attacks on the guerrillas and his less than fulsome support for the peace process, will become the new Colombian ambassador to the US. He will be replaced with a much more moderate figure, Luis Carlos Villegas, at the defence ministry. Villegas, a lawyer and the president of the influential national business federation (Andi), was appointed by Santos to the government negotiating team in Cuba in September 2012 at the start of the current peace process. Villegas is a staunch supporter of the peace process, although he shares Santos’s qualms about the progress of the talks: “the problem of time is what makes the accords politically viable so speed, speed, speed is of the essence”.

Earlier this month Santos announced the abandonment of the aerial spraying of coca crops with glyphosate [WR-15-21]. This was ostensibly because of health concerns but the Farc had long sought the end of aerial spraying. Santos also demonstrated his commitment to the talks by appointing his foreign minister, María Ángela Holguín, and respected businessman Gonzalo Restrepo to the government’s negotiating team in Havana. Restrepo was the president of the supermarket chain Éxito for 22 years, overseeing its huge national expansion and the start of its international growth.

Santos said Holguín and Restrepo, who will not be permanent members of the negotiating team but will attend meetings frequently, would add “great support at this decisive time”, playing a key role in talks surrounding the demobilisation and reincorporation of guerrillas into civil life. As the negotiating team returned to Cuba for a new round of talks on 21 May, Santos also stressed that “the patience of the Colombian people is not infinite” and negotiators needed to make sure it was “not exhausted”.

But while these moves were designed to give fresh impetus to the peace talks, events in the field threatened to derail them altogether, or at least to set them back and necessitate much more public ‘patience’. On 21 May a devastating bombing raid by the air force on a Farc camp in Guapi in the south-western department of Cauca claimed the lives of 27 guerrillas, the biggest loss suffered by the Farc since the talks began in November 2012. This prompted the Farc to abandon its indefinite unilateral ceasefire, another step towards the escalation of the armed conflict that both sides had committed to de-escalate. Aerial bombing had been suspended in March as part of efforts to de-escalate the conflict, but Santos ordered it to recommence after a Farc attack on a military unit in Cauca on 15 April killing 11 soldiers.

Handing out free houses in Bosa, a Bogotá suburb, Santos said he was “ready to accelerate negotiations” which he said was the only way to reach a definitive

Ghost of past failures

The Colombian weekly magazine *Semana* responded to the three air force bombings over the course of the last week by arguing in an editorial that “to keep talking in Cuba in the middle of a bloodbath might have been acceptable at the start of the process but it is unsustainable now”. *Semana* added that “the ghost of past failures [when ceasefires were declared] once again hangs over this process”.

bilateral ceasefire and avoid a repeat of the Guapi bombing. “We have gone a year, a whole year, without any substantial progress,” Santos said. “Progress is needed to maintain [public] faith that we can achieve peace,” he added.

Farc responds

The Farc, out of pride, had little option but to end its unilateral ceasefire, but less accountable to public opinion it can absorb these losses with greater equanimity than Santos and in private it is probable that the Farc leadership will have noted his recent gestures. In public, however, ‘Pablo Catatumbo’ (Jorge Torres Victoria), a member of the Farc secretariat sitting on the guerrilla negotiating team, said that the “massacre” was “a step backwards”. Catatumbo stressed, however, that rather than “throw away the concerted efforts of nearly three years of talks”, the attack underscored the need to give them “a big boost” which he said could only come from a bilateral ceasefire. This creates a Catch-22 situation as Santos insists that a bilateral ceasefire can only be declared if there is a major advance in the peace talks.

Catatumbo also took aim at Santos saying that “a head of state cannot rejoice at the death of compatriots, still less when those deaths constitute direct blows against his government’s flagship policy: the end of the conflict”. Catatumbo added that “a serious government must focus on concrete problems and superior objectives” not respond to “the fluctuating interests of the ultra-Right... military pressure or opportunistic electoral calculations to rise in the polls”. He also maintained that escalating the conflict was not the answer. But it is difficult to imagine the Farc will not retaliate, not least because the Guapi bombing raid was followed by two similar operations in the ensuing days: a further eight guerrillas were killed during a bombing raid on the Antioquia and Bolívar departmental border on 23 May; another five were killed during another such operation near the town of Riosucio in the north-western department of Chocó on 25 May.

On 27 May ‘Pastor Alape’ (Félix Antonio Muñoz Lascarro), who is part of the Farc negotiating team, read out a statement in Havana denouncing “excessive use of force” and a “massacre” in Guapi. He called for the International Committee of the Red Cross (ICRC) to oversee an autopsy on the fallen guerrillas, alleging that some of them had been executed by soldiers and police who moved in after the air strikes. Alape revealed that one of those killed in Guapi was ‘Jairo Martínez’ (Pedro Nel Daza Martínez), a senior ideologue who until recently was on the Farc negotiating team in Cuba. He claimed that Martínez had been in Cauca on an “educational peace mission”. The government maintained that the only activity being carried out by the Farc in the area is drug-trafficking.

Alape also confirmed that ‘Román Ruiz’ (Alfredo Alarcón Machado), his right-hand man, commander of the 18th Front and a member of the Estado Mayor Central, had been killed in the Chocó bombing raid, along with ‘Emiro Chaqueto’ (Alan de Jesús Jiménez García), the third in command of the 36th Front and another former member of the Farc negotiating team.

ELN backs Farc

The country’s second largest guerrilla group, Ejército de Liberación Nacional (ELN), whose exploratory peace talks with the government have dragged on for almost 18 months now, released a statement of solidarity with the Farc, arguing that the government had left the guerrilla group with no choice but to retaliate. León Valencia, the director of the Colombian NGO Fundación Paz y Reconciliación, warned of “very, very tough weeks ahead”, suggesting that the Farc and the ELN could launch joint action in the coming weeks, most likely against oil infrastructure, such as the Caño Limón-Coveñas oil pipeline. Valencia, a former ELN guerrilla, said that failing this the ELN would probably “lend” the Farc territory from which to strike.

Donation for peace

During his visit to Colombia, China's Prime Minister Li Keqiang also expressed the Chinese government's support for the peace negotiations that the government led by President Juan Manuel Santos is conducting with the Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas in Cuba. Emphasising that China hoped that Colombia could reach an "integral peace", Li announced that China's Communist government would donate US\$8m to various post-conflict programmes that are being pursued by the Colombian government in preparation for the sealing of a peace deal with the Farc. Santos thanked Li for China's support for the peace process, which he said was "greatly symbolic".

Reaffirming ties with China

China's Prime Minister Li Keqiang conducted official visits to Colombia and Peru between 21 and 24 May as part of a regional tour that also included stops in Brazil and Chile. During his stopovers in these two Pacific Andean countries, Li continued with the theme of the tour, signing a series of economic cooperation agreements and offering Chinese financing and expertise for the development of ambitious infrastructure projects.

Colombia

Prime Minister Li arrived in Bogotá from Brasília on 21 May. After holding a meeting with Li at the Casa de Nariño presidential palace, President Juan Manuel Santos announced in a joint press conference that the two countries had signed new technical cooperation agreements in the areas of investment, infrastructure development, agriculture, education and tourism. But in particular President Santos highlighted the support offered by Li to two major infrastructure projects that the Colombian government considers to be essential to the country's economic development.

The first project involves the construction of a 500km highway to run alongside the Meta River and link the cities of Puerto López in the central Meta department to Puerto Carreño, the capital of the eastern Vichada department, on the border with Venezuela. Chinese construction firms have expressed an interest in participating in the public tender processes for the so-called 'fourth generation (4G)' roads that the Santos administration wants to build in the next few years; and Li, accompanied by a delegation of 120 businessmen, appears to have assured Santos that there is Chinese interest in this project. Santos said that the project, which also involves the dredging of the Meta River in order to make it navigable, would allow for the development of Colombia's eastern Orinoquía region. "This is the road that we have long been dreaming of," Santos said, adding that "it will allow us to develop this entire region".

The second project highlighted by Santos involves a development programme for the port city of Buenaventura, which Santos said would "bring new life" to Colombia's main Pacific port. Santos said that Li had expressed Chinese interest in collaborating with the urban and logistical development plans, which among other things involve the construction of a new industrial park in Buenaventura. According to Santos, this project could turn Buenaventura into a new "development pole".

Commenting on the two projects, Li said that China "wants Colombia's development opportunities to be properly exploited". Li also insisted on China's interest in signing a free trade agreement (FTA) with Colombia, which he said would be beneficial to both countries. Bilateral Colombia-China trade has increased by a factor of 15 over the last decade to reach US\$17bn in 2014. But Santos said that the potential to increase bilateral trade further is "enormous".

Peru

Li continued with his tour in Lima on 22 May, where he was received by President Ollanta Humala at the presidential palace. The two leaders held a meeting in which they evaluated the impact of the bilateral FTA that the two countries signed in 2009 and went over the integral strategic association agenda drafted in 2013, which aims to deepen bilateral economic ties. Afterwards the two leaders oversaw the signing of 10 bilateral cooperation agreements, as per the agenda, over things like industrial investment, technical and economic development, energy development and the construction of a systemic molecular evolution lab.

Chile

Speaking at the China-Chile business forum on 25 May, President Bachelet said that China's support to "attain the much-desired physical integration of South America through bi-oceanic corridors" would be invaluable. Chile's *Diario Financiero* reported that Bachelet had informed Li that Chile had hosted a meeting of government officials from Argentina, Brazil and Paraguay in mid April to discuss two bi-oceanic corridors: one from Brazil's state of Matto Grosso, passing through Paraguay and Argentina to Chile's northern ports; another from the Brazilian port of Porto Alegre through Argentina and the proposed US\$1bn trans-Andean Agua Negra tunnel to Chile's port of Coquimbo (Region IV).

Bi-oceanic railway

In addition to this, the two countries also signed a memorandum of understanding over the carrying out (along with Brazil) of a joint feasibility study for the construction of a new bi-oceanic railway line linking Brazil's Atlantic port of Açú in Rio de Janeiro state to Peru's Pacific port of Bayóvar in the northern region of Piura. The exact route is still being evaluated.

The idea is that the 10,000km railway, with a price tag of US\$10bn, will help to increase two-way trade between China and South America. Indeed Li commented that construction of the bi-oceanic railway would "further expand the connectivity between South America's Pacific countries and Asia, reaffirming trade ties, and contributing to the boosting of a new type of industrialisation of the South American continent".

Humala said that the bi-oceanic railway would "consolidate Peru's geopolitical position as a natural gateway to South America". Pointing out that bilateral trade has increased by 40% since the signing of the FTA to reach US\$15.38bn last year, Humala said that the railway could help increase these figures even further.

From China's perspective the railway would cut the cost of shipping the huge quantity of primary commodities – metallic minerals and agricultural products – it imports from the region. Li sought to assuage concerns about the damage to the environment that such a massive infrastructure project across the heart of the continent would cause, claiming in a declaration with Humala that "to create the infrastructure, it is necessary to protect the environment".

Li concluded his visit to Peru by meeting local businessmen to discuss opportunities both in Peru and China on 23 May. He then headed on to Chile, for the final leg of his regional tour on 24 and 25 May, where he told his host, President Michelle Bachelet, that China was not only interested in one bi-oceanic railway across South America but also in financing several other 'tributary' lines. (*see sidebar*).

VENEZUELA | POLITICS

López ups the ante

Despite a successful primary process, the opposition Mesa de la Unidad Democrática (MUD) is once again struggling to maintain its fragile unity ahead of the mid term legislative elections due by year-end, in which the moderate leadership steered by Henrique Capriles Radonski aims to secure a majority in Venezuela's unicameral national assembly.

In a video smuggled out from his cell in the Ramo Verde military prison, the opposition leader Leopoldo López announced that he was starting a hunger strike and called on Venezuelans to come out onto the streets en masse on Saturday 30 May.

The video message, released on 23 May, came soon after it emerged that López's fellow opposition inmate, Daniel Ceballos, was being moved from Caracas to a facility in the town of San Juan de los Morros (in Guárico state). One of Venezuela's most violent penitentiaries is in San Juan de los Morros, sparking immediate concern for Ceballos; however the public ombudsman, Tarek William Saab, later tweeted that Ceballos was being removed to a different (new) public detention facility in the town. Ceballos, who in March 2014 was sacked as mayor of the state capital of Táchira, San Cristóbal, for his (alleged) role in anti-government protests and was selected in the MUD primaries as a candidate for the legislatives, is also on hunger strike.

Capriles to attend marches

Henrique Capriles, whose views the MUD statement clearly articulated, later tweeted that he would attend the marches in a gesture of solidarity with the hunger strikers. “Re Saturday’s activities x the freedom of our comrade political prisoners I, without dividing, am going to participate!

#UnityAndChange”.

Capriles also has an interest in

maintaining his public profile, amid signs that the charismatic and telegenic

Leopoldo López,

much more of a

natural showman and orator, is again

poised to steal some

thunder from his

fellow opposition

leaders, potentially

with one eye on the

2018 presidential

race.

In his video López noted: “After one year and three months [since he was jailed], the situation is worse: more lines, higher inflation, more scarcity, more crime, more corruption, and even serious accusations of drug smuggling on the part of people at the top of the government. Today, the immense majority of Venezuelans want a change, but like us, both democracy and the common citizen in Venezuela are imprisoned. We are the prisoners of a corrupt elite whose only interest is to hold on to power”.

López said he and Ceballos were starting their hunger strike in demand of three things: freedom for political prisoners; a halt to persecution, repression, and censorship; and a definitive date for the legislative elections. López invited Venezuelans to take to the streets “peacefully, massively, with no violence...without regard to ideology, or party affiliation, to show that we are on the side of change for Venezuela”. In subsequent days, two other jailed affiliates of his party Voluntad Popular (VP), Alexander ‘El Gato’ Tirado and Raúl Emilio Baduel, who are being held in the also-notorious El Tocuyito jail (in the state of Carabobo) announced that they too would join the hunger strike.

The MUD, however, on 26 May announced that it would not officially back the proposed street marches. In a statement entitled ‘*Change is urgent, the way is electoral, unity is obligatory*’, the coalition said that while it respected, valued and shared López’s petitions, “the fundamental challenge for the MUD at this point is to articulate, support and give democratic course to the spontaneous popular mobilisation happening all over Venezuela”.

The statement stressed that decisions and tactics must be decided jointly. “This is how we will construct, all together, a big victory in the parliamentary elections, TOGETHER, because the best decisions are the ones we make together, because the Unity [Table] has no substitutes, because no organisation or leader is more important than a united and mobilised people”.

TRACKING TRENDS

VENEZUELA | **Merentes denies dollarisation rumours.** Venezuela’s central bank (BCV) president Nelson Merentes has dismissed the “campaign of rumours” about dollarisation, which in the past week have intensified alongside the continuing slide in the black market exchange rate, which at one point tipped over BF400/US\$1 before coming back in to about BF366/US\$1. The free-floating official FX rate, the Simadi, closed at BF199.9/US\$1 on 25 May, according to latest BCV data.

Merentes did not deny that the BCV is holding meetings with public and private financial sector authorities about potential changes to the country’s exchange rate system, which is increasingly distorted amid the ongoing dollar scarcity, heavily exacerbated by the BCV’s expansionary monetary policy. While international reserves have now dipped to US\$17bn, the broad M2 money supply continues to grow at a mind-boggling rate, driving inflation through the roof.

Deputy Jesús Faria, of the ruling Partido Unido Socialista de Venezuela (PSUV), who sits on the congressional finance committee, said the dollarisation rumours were part of the ‘economic war’ being waged against the country by international right-wing forces. “We will never become an appendix of the North American economy,” he told *Globovisión*.

However, Faria acknowledged that discussions were underway about the simplification of the existing three-tiered system, with a view to moving to two FX rates, one fixed and one free, for example.

The dollarisation rumours, which have been rumbling since April, really took off after Ford Venezuela in early May said it had reached agreement with the Caracas government to sell some of its stock in dollars, in order to alleviate the dollar shortages that had forced the company to paralyse production for want of imported parts.

Chinese railway concerns

Of all the investment projects signed by Chinese premier Li Keqiang in Brazil last week, the transoceanic railroad that would link the Atlantic coast with the Pacific generated the most excitement. But already opposition is legion, and not only from environmental and indigenous rights' groups. The Brazilian association of the railroad industry (Abifer) said that this project would be "totally Chinese", with Chinese locomotives, rails, ties, freight cars etc., and not supplied by Brazilian industries. Abifer pointed out that when the Chinese built a railroad in Argentina the local railroad industry was ignored.

Shaking up the tequila-caipirinha axis

Together, Brazil and Mexico account for 62% of the GDP of Latin America, 58% of its exports and 55% of its population. Yet annual trade between the two is just US\$9.2bn. While Mexico has traditionally looked north to expand its commercial opportunities, Brazil has looked inwards, or to its South American neighbours. But the visit of Brazil's President Dilma Rousseff to Mexico this week, the first since she took office in 2011, provides an opportunity for the two countries to shake-up, what Rousseff called "the tequila-caipirinha axis". Mexico's President Enrique Peña Nieto said he hopes the visit will result in a doubling of trade in the next 10 years.

The automobile industries of both Brazil and Mexico have long been a source of friction. For decades, Brazil led the field in terms of car exports in the Latin American market. But Mexico, with its lower labour costs driven by competition with China, has recently overtaken Brazil, upsetting the longstanding equilibrium. But this particular issue was resolved, at least partially, ahead of President Rousseff's trip. In March, the two countries agreed to extend for another four years the Acuerdo de Complementación Económica (ACE 55), which imposes quotas on the US\$4bn trade in the automobile sector.

Without having to worry about the automobile industry, a point of patriotic pride in both countries, other investment opportunities can be explored. Rousseff is accompanied on her trip by a delegation of business representatives from Brazil's agricultural, tourism and aviation industries. One of the main purposes of her visit is to smooth the path for the entry of Brazil's state-owned oil company Petrobras into the Gulf of Mexico, following the opening up of Mexico's energy industry to foreign companies. Petrobras is on the list of bidders for some of the blocs that are being put out to tender.

Trade and investment flows between the two are heavily lopsided. Mexican companies, including Claro, FEMSA, Bimbo and Cinépolis, have a significant presence in Brazil, with a total of around US\$30bn worth of investments. However, Brazil has only around US\$2bn in investments in Mexico. Speaking to the Mexican newspaper *La Jornada* Rousseff said, "there are people who think that the economies of Brazil and Mexico are competitors. I think this is mistaken. Our economies are complementary and represent the two biggest markets in Latin America."

One of the plans to boost trade between the two is the updating of the ACE to lift or reduce trade tariffs on a much wider range of products. At present around 800 items are included under the agreement. Rousseff said that the idea was to increase that number to around 6,000, including electronic goods, shoes, textiles and agricultural products.

Both heads of state are in need of some good news. For Rousseff, with an economy bound for recession this year, Brazil needs better international trade relations and investment to stop the slump from deepening. For that reason, Brazil hosted the Chinese premier Li Keqiang last week, and Rousseff will travel to the US in June. For Peña Nieto, a presidency that started brightly with the promise of reviving the Mexican economy, via the opening up of its energy sector, has become mired in pessimism surrounding the government's capacity to combat the country's violence. Rousseff's visit is a welcome chance to return to an economic focus.

Multinationals

The debate over the role that multinational firms play in the Mexican economy follows the emergence of a string of corruption scandals implicating some of the 10 firms featured in the *El Universal* report. In February US toymaker Hasbro agreed to pay US\$65m to Mexican tax authorities in backdated taxes. Meanwhile a corruption scandal implicating Estado de México government officials and representatives of the local subsidiary of Spanish construction firm OHL emerged earlier this month.

MEXICO | Underwhelming first quarter growth. On 21 May Mexico's national statistics institute (Inegi) released the official GDP growth data corresponding to the first quarter of the year, which show that the Mexican economy grew by 2.5% during this period. The first quarter growth figure was lower than expected and suggests that Mexico's economic recovery is still rather tentative. Last year Mexico registered real GDP growth of 2.1% and the expectation was that the economy would rebound this year, with the World Bank forecasting 3.1% growth in 2015 and the International Monetary Fund (IMF) similarly forecasting growth of 3%. However, the 2015 first quarter growth was marginally lower than the 2.6% growth registered in the final quarter of 2014, suggesting that this target may now be hard to reach.

According to Inegi, growth in the first quarter was driven by an increase in the primary (agricultural) sector which rose by 6.8% year-on-year in the first quarter and in the tertiary sector (services), which rose by 2.9%. In contrast, activity in the secondary (industrial) sector increased by just 1.4%, on the back of lower activity registered in the oil (-5%) and mining (-2.1%) sub-sectors, which was partially compensated for by growth in the construction (4.2%) and manufacturing (2.9%) sub-sectors. More problematically, Inegi's seasonally adjusted figure shows that GDP increased by a negligible 0.4% in the first quarter of 2015 compared to the previous quarter.

A few days prior to the release of the Inegi figure, Mexico's central bank (Banxico) had already announced its decision to slash its growth forecast for the year from 2.5%-3.5% to 2%-3% due to its observed loss of dynamism in the domestic economy [WR-15-20]. Following the release of the first quarter growth data, the finance ministry (SHCP) followed Banxico's lead and it too cut its GDP growth forecast for the year from 3.2%-4.2% to 2.2%-3.2%. Much like Banxico had done, the SHCP said that its decision answered to the fall in domestic oil production, the fall in international oil prices and lower levels of global economic activity, particularly in the US.

However, SHCP deputy minister Fernando Aportela was adamant that Mexico's economy was still growing faster than last year. Aportela added that the growth registered in the first quarter was "balanced" and "sustained equally by dynamism in exports and in the domestic market". Indeed, Aportela pointed out that Mexico's oil and non-oil exports increased by 6.2% year-on-year in the first quarter despite the fact that the US, Mexico's main trade partner, only posted growth of 0.2% in the first quarter.

Meanwhile, Aportela also pointed out that domestic car sales increased by 22.2% year-on-year, which shows that "domestic demand is on the rise thanks to factors such as the increase in the economically active population and the employment rate". According to Aportela, since it is expected that the US economy will pick up more steam throughout the year, it can be expected that Mexico's exports will also increase accordingly leading to faster GDP growth.

MEXICO | Multinational firm paradise. On 25 May the Mexican daily *El Universal* published a report that shows how important the Mexican market is for large multinational corporations. The study elaborated by comparing the results of the Mexican subsidiaries of 10 multinational companies (Grupo BBVA, Santander, OHL, Wal-Mart, Coca Cola, HSBC, Citigroup, Pepsi Co., Heineken and Hasbro) with those of their global operations last year, and showed that they accounted for up to 34% of the net global sales of some of these firms and up to 73% of their profits.

According to the report, 12% of the total profits of the US retailer Wal-Mart originated in Mexico, and 6% of the total sales of the soft drink giant Pepsi Co. came from Mexico. The Mexican market is also important for Pepsi Co.'s competitor Coca-Cola, with Mexico generating 42% of Coca Cola's total revenue in Latin America. Meanwhile 73% of banking group BBVA's income and 34% of its profits came from its Mexican businesses.

However, a number of local analysts consulted by *El Universal* said that the level of benefits these firms offer to Mexico are not proportional to the level of revenue that they obtained. This, analysts argue, is because Mexico currently offers far too many concessions to multinational firms by way of tax breaks and other incentives for foreign investment from the federal and state governments. The analysts suggested that the Mexican government should consider removing some of these incentives and increasing its regulation of these firms (*see sidebar*).

Stalling

On 8 May the UN-backed International Commission against Impunity in Guatemala (Cicig) and the attorney general (AG)'s anti-impunity unit (FECI) announced it was filing legal action against a criminal court justice, Marta Sierra de Stalling, for authorising release on bail and house arrest for six suspects of the La Línea corruption ring uncovered at the tax administration authorities (SAT). Stalling's sister-in-law, Blanca Aida Stalling Dávila was also mentioned in wiretap recordings, although she maintains that the two judges' names were mixed up and has agreed to cooperate with investigators in order to clear her name.

Pérez Molina – where will it end?

With the dust barely settling on the massive corruption scandal uncovered in the tax authorities (SAT) the previous month which forced out Vice President Roxana Baldetti [WR-15-19], the badly discredited Partido Patriota (PP) government led by President Otto Pérez Molina received another major blow last week. The United Nations (UN)-backed International Commission against Impunity in Guatemala (Cicig) and attorney general's office (AG) anti-impunity unit (FECI) issued 17 arrest warrants for top officials in relation to alleged corruption which took place in the social security institute (IGSS). The situation facing Pérez Molina – who in a further sign of the rampant corruption afflicting his government was forced to sack three ministers last week over unrelated scandals – is becoming untenable. Those arrested in relation to the IGSS scandal include its president Juan de Dios de la Cruz Rodríguez López, one of Pérez Molina's closest allies and his former private secretary.

On 20 May Cicig's chief, Colombian jurist Iván Velásquez Gómez, and AG Thelma Aldana Hernández gave a press conference to announce the arrests. As well as Rodríguez, those facing arrest warrants include the governor of Guatemala's central bank (Banguat), Julio Roberto Suárez Guerra (who sits on the IGSS board) and Otto Molina Stalling, the son of Judge Blanca Aida Stalling Dávila, who is president of the criminal chamber of the supreme court and herself has been implicated in relation to the SAT scandal along with her sister-in-law and fellow justice Marta Josefina Sierra González de Stalling (*see sidebar*).

Velásquez and Aldana told reporters that in October 2014, the IGSS had awarded a Q\$116m (US\$14.5m) contract to a pharmaceutical company, Pisa de Guatemala S.A, for dialysis services to patients. The two officials said the bidding process had been clearly rigged with IGSS officials receiving 15%-16% commission. According to a prominent local transparency NGO, Acción Ciudadana, which along with a string of other civil society groups is now calling for President Pérez Molina to resign (*see next page*), 15 people have died as a result of kidney failure. (The NGO points out that Pisa failed to meet basic requirements). While the SAT scandal shook the credibility of the PP government, the allegations involving the IGSS are even more serious for Pérez Molina on a personal level. Pérez Molina has close links to Rodríguez who, currently in hospital suffering from diabetes, anxiety and depression, served as his private secretary between January 2012 and April 2013, when he was picked to replace Luis Reyes Mayen who was forced out over a sex scandal. Like Pérez Molina a former head of military intelligence (D-2) during the 1960-1996 civil war, Rodríguez has a military background; he is a retired colonel.

Ministers go

In a desperate bid to avert further crisis, the next day Pérez Molina announced that he was replacing three cabinet ministers - Mauricio López Bonilla (interior); Michelle Martínez (environment) and Edwin Rodas (energy). Of the three, López Bonilla's departure is by far the most significant and indicative of the gravity of the crisis facing the government. A retired lieutenant colonel-turned political analyst, López Bonilla was one of Pérez Molina's closest associates who had been in the post since the PP administration took office in January 2012. According to investigative daily *elPeriódico* López Bonilla had come under question in relation to his authorisation of various government contracts. These include the 2013 purchase of a video surveillance system for an area of the capital for Q\$262.5m (US\$34m), a similar amount for a system used in another six municipalities, as well as the purchase of weapons for the police (PNC) last year worth Q\$87.7m (US\$11.4m).

As regards the other changes, Pérez Molina did not provide any reasons for his decision to fire Rodas, who lasted just a few days after replacing Erick Archila, who also quit over alleged corruption [WR-15-20]. However Martínez's departure was not a surprise given that the 158-member unicameral legislature was already considering whether to strip her immunity so that she could be investigated over the Q\$137.8m (US\$18m) contract

Recent milestone

The outgoing Secretary-General of the Organization of American States (OAS), José Miguel Insulza, recalled that the most recent milestone vis-à-vis Guatemala-Belize relations took place in December 2014 when “the foreign ministers of Belize and Guatemala, with my guidance and in the presence of all the Heads of State and Government of Central America meeting in Placencia, Belize, in the framework of the Central American Integration System (SICA), signed thirteen bilateral agreements under the coordination of the OAS for the direct benefit of the people of Guatemala and Belize”. According to a statement by Insulza, “these agreements, together with the three agreements on security and intelligence that had been adopted three months before in order to strengthen the mechanisms of cooperation to combat illegal activities, including transnational organized crime, reflect the significant progress achieved in the process led by this Organization”.

awarded to Israeli firm, M. Tarcic Engineering, to clean up Lake Amatitlán. Local NGOs claim that the Israeli firm failed to carry out the necessary environmental impact assessment (EIA) for the project.

Other officials to see the door included: Verónica Taracena, who was in charge of the presidential transparency commission (Copred), with the new Vice-President Alejandro Maldonado to assume Taracena’s responsibilities; the deputy interior minister responsible for security, Eddy Juárez; and the head of State intelligence, Ulises Anzueto, a former colonel who served as Pérez Molina’s defence minister until he was transferred in July 2013 in a move the President described as “procedural”.

While yet to reveal replacements for Rodas and Martínez, Pérez Molina has named as his new interior minister, Eunice Mendizábal – the fifth deputy interior minister tasked with the fight against drug trafficking at the time of her appointment.

These are unlikely to be the only changes. On 21 May a congressional commission called for Health Minister Luis Enrique Monterroso to be stripped of his immunity in order to be investigated for problems regarding the supply of medicines. On 25 May the chamber of education presented the CSJ with another complaint calling for Education Minister Cynthia del Águila, to be stripped of her immunity and face investigation for dereliction of duty and violating the constitution. The complaint relates to Del Águila’s alleged failure to publish a change to the teacher training programme in the official gazette as per a constitutional court (CC) order.

Other moves

Pérez Molina has taken other steps intended to illustrate his commitment to combatting corruption. These include orders issued for the comptroller general’s office, the procurator general and the general secretary of the presidency to analyse various contracts that have recently been subject to question, including the contract to clean Lake Amatitlán. He also announced he was lifting the interventions he decreed in October 2013 in two ports – Santo Tomás de Castilla, in Puerto Barrios and Puerto Quetzal, Guatemala’s largest Pacific Ocean port – as well as the capital’s international airport ‘La Aurora’. These had been the first such interventions in ports run by the customs authority since September 1996 under the Álvaro Arzú administration (1996-2000).

However Pérez Molina’s position looks increasingly precarious. On 25 May the AG requested that the CSJ consider a formal complaint asking it to consider whether the legislature can consider stripping the President of his immunity from prosecution in order to be investigated for alleged corruption in relation to the IGSS scandal. The CSJ already rejected a similar request the previous month filed in relation to the SAT scandal although it did admit the request filed against Baldetti, which arguably left her with little alternative but to step down. However given the President’s close links to Rodríguez and continued calls by civil society groups like AC, the centre for the defence of the constitution (Cedecon), and the local bar association (Cang) for his resignation, it remains to be seen whether Pérez Molina will see out the rest of his four-year term ending in January 2016.

End in sight to Belize-Guatemala dispute?

In his last act as Secretary General of the Organization of American States (OAS), José Miguel Insulza attended the signing of the Protocol to the Special Agreement between Belize and Guatemala in Guatemala City on 25 May. The latest agreement will allow both governments to hold separate public consultations with a view to submitting their longstanding territorial dispute to the International Court of Justice (ICJ) at The Hague.

Guatemala lays claim to 12,772km² of adjacent land and sea, more than half of Belize’s territory, stretching from south of Sibun up to the Sarstoon River and including many of its coastal cayes. While the two countries embarked upon a dialogue process in 1995, brokered by the OAS, the negotiations have so far failed to yield much progress.

In his speech on 25 May, Insulza described the role of facilitator and mediator in the Belize-Guatemala dispute that has been played by the OAS as “one of the most important tasks of the Organization and one to which we have assigned the highest priority in the General Secretariat”. He also said it was “the only territorial dispute in the region that the OAS has accompanied continuously for more than fifteen years”.

Romero beatified amid resurgence of violence

Archbishop Óscar Arnulfo Romero, El Salvador's most famous son, was beatified on 23 May, just over 35 years after he was infamously assassinated while celebrating mass. Romero had the courage to speak out against state-sponsored violence, ordering soldiers not to kill innocent civilians, and paid with his life; his murder was the catalyst for the civil war that ravaged the country from 1980-1992. In a bitter irony, the beatification took place at a time when El Salvador faces the worst outbreak of violence since the civil war, with elite army battalions taking to the streets to combat *mara* gangs engaged in brutal turf wars, and rumours of death squads operating once again [WR-15-17].

Widely seen as a proponent of liberation theology which argues that the Church should act to bring about social change by allying itself with the poor and downtrodden, Romero was denied beatification for the best part of two decades by the conservative hierarchy at the Vatican. But as soon as the pontificate of Pope Francis began the process was expedited. Romero was declared a martyr to the faith, obviating the need for a miracle to be attributed to him.

Romero was beatified in a three-hour ceremony in San Salvador cathedral presided over by Cardinal Angelo Amato and attended by four heads of state; some 300,000 people gathered in the square outside. A letter from the Pope, who said Romero could "see and hear the suffering of a people", was read out. Archbishop José Luis Escobar Alas invoked Romero "to intercede with God to grant hope to build a new society, with justice for all". That society remains distant in El Salvador. President Salvador Sánchez Cerén said the beatification would help the country to "try to unite... and confront the challenges we have" – but March 2015 was the most violent month this century with 482 homicides.

TRACKING TRENDS

CUBA | Five foreign companies win approval for Mariel Zone. Cuban authorities have awarded five new companies the first permits to set up in the new Special Economic Development Zone at the revamped Mariel Port, according to state media reports. The head of the so-called ZEDM (Zona Especial de Desarrollo Mariel), Ana Teresa Igarza, was cited as saying that six companies to date have been awarded concessions, five of which are made up of "100% foreign capital".

According to Igarza, the companies hail from sectors including agri-foods, light industry, electronics, chemicals and transport. No further details were made available. Igarza said the companies were now in the process of being formally set up in Cuba, a process expected to take 8-10 months, with a view to starting operations in early 2016. Separately, it was announced in April that the Spanish company Hotelsa, a food service company for the hospitality sector, will build a factory in the ZEDM.

Igarza said a few months ago that Cuba had received over 300 official investment requests for the ZEDM from 30 countries, including Brazil, Canada, China, France, Italy, Mexico, the Netherlands, Mexico, Spain and Vietnam. The Cuban government is touting an investment portfolio of 245 projects in 11 sectors under a new 2014 Foreign Direct Investment (FDI) law, from which it aims to attract a sizeable US\$8.7bn in FDI to the country.

The Communist government hopes to jumpstart an export-oriented domestic light industrial sector at the new deepwater Mariel Port and ZEDM, which will offer generous tax incentives to investors. The port, upgraded with almost US\$1bn in funding from Brazil's national development bank (Bndes), with the construction work carried out by Brazil's Odebrecht, is US-facing, which could allow it to become a key Caribbean trade hub in years to come.

Civil war divisions

The civil war divisions in El Salvador are still apparent. On 30 April El Salvador's human rights ombudsman, David Morales, denounced as an affront to victims of the conflict the decision by the former mayor of San Salvador, Norman Quijano, to rename a street in San Salvador after Roberto d'Aubuisson, the intellectual author of Romero's assassination, and called for it to be revoked. Quijano, who recently left office, belongs to the right-wing Alianza Republicana Nacionalista (Arena) founded by D'Aubuisson.

Quotes of the week

“Kirchnerismo appropriates what is public for its private interest, in this case the 25 May [commemorations of the 1810 revolution], which is for all Argentines, for a Kirchnerista event.”
Argentine deputy Federico Pinedo of the centre-right opposition Propuesta Republicana (Pro).

“Mercosur is an indissoluble marriage, but this does not mean that the relation can't be put on the table and discussed.”
Brazil's foreign trade minister, Armando Monteiro.

“President [Juan Manuel] Santos has acted... with total absence of good judgement and with a discourse contrary to the objective of reconciliation, dialogue and peace he proclaims, spreading a message that can only favour those who want to perpetuate war in Colombia.”
'Pablo Catatumbo', a leader of Colombia's Farc, responds to a fatal military attack on a guerrilla camp.

Bouterse's NDP wins unprecedented majority in Suriname

President Desi Bouterse's Nationale Democratische Partij (NDP) won a decisive victory in general elections on 25 May. For the first time in Suriname's electoral history a single party won an outright majority: the NDP took 27 seats in the 51-seat national assembly. Despite this achievement, it fell seven seats shy of the two-thirds majority required in the assembly to elect Bouterse. He could obtain these by means of an alliance with smaller parties or avoid being beholden to any other party by allowing the 895-member United People's Assembly (Verenigde Volksvergadering), comprising the national assembly, district and local councils, to elect him as the NDP should have the requisite simple majority here.

The NDP won four more seats than it managed within the Mega Combinatie coalition in 2010 in a country where coalitions are the norm. Its simple majority will enable Bouterse to govern alone, ending his 'unnatural' alliance with Ronnie Brunswijk, the leader of the Algemene Bevrijdings-en Ontwikkelingspartij (Abop), against whom he fought a bloody war in the 1980s. Abop retained its five seats in the national assembly and Democratie en Ontwikkeling in Eenheid (DOE), led by Carl Breeveld, took two seats.

Chandrikapersad Santokhi, the leader of the main opposition V7, which won 17 seats, acknowledged defeat, saying "The people have spoken". V7 is a reference to seven Dutch words starting with 'V' which the party promised to deliver: Volk Voorwaarts ('Great leap forward'); Vooruitgang ('Progress'); Vernieuwing ('Renovation'); Verbetering ('Improvement'); Verjonging ('Rejuvenation'); Veiligheid ('Security'); and Vrede ('Peace'). But voters clearly decided that Bouterse was delivering the seven V's himself, through his so-called "social contract" – boosting child and disability allowances and almost doubling pensions – and infrastructure development.

Santokhi's opposition coalition, much like its Venezuelan counterpart, had to promise to maintain social welfare benefits, while saying it would save money by stamping out massive government wastefulness and cronyism. Voters were unconvinced but, in a further parallel with Venezuela, the declining price of key commodity exports (gold and oil in Suriname's case) that have enabled this largesse means that the national debt is spiralling, the difference between the street value of the Surinamese dollar and the official rate is growing, and this spending could become unsustainable.

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