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## What does Guzmán's recapture mean for Mexico and Peña Nieto?

"Mission accomplished: we have him. I want to inform Mexicans that Joaquín Guzmán Loera has been arrested." It is doubtful whether another 100-character tweet has brought Mexico's President Enrique Peña Nieto as much satisfaction, let alone relief, as this when he posted it on 8 January. The escape of 'El Chapo' Guzmán, the leader of the Sinaloa drug trafficking organisation (DTO), from a maximum security prison in July 2015 was one of the lowest points of Peña Nieto's mandate just as his capture 17 months earlier had been one of the highest points, heralded as the most significant blow against drug-trafficking for over a decade. His recapture will go some way towards repairing a rift with Washington but in and of itself it cannot restore credibility to Mexico's institutions.

President Peña Nieto was accused by detractors of being too triumphalist. They say he should have struck a more humble note than 'Mission accomplished', such as 'Mistake rectified', given Guzmán's previous escape on his watch. The spontaneous rendition of the national anthem after the interior minister, Miguel Angel Osorio Chong, informed the Mexican diplomatic corps of Guzmán's capture during a meeting also came in for some criticism.

But both Peña Nieto and Osorio Chong had good cause to celebrate. Guzmán's escape made a mockery of Peña Nieto's much-trumpeted list of apprehended drug traffickers, and US government frustration was palpable, especially given Peña Nieto's reassurance that El Chapo would not escape and his refusal to extradite him. Osorio Chong, meanwhile, had staked his reputation on Guzmán's recapture. He resisted pressure to resign after Guzmán's escape last July, arguing that it provided him with the opportunity to show his mettle. He can now be considered once again as a lead contender for the presidential candidacy of the ruling Partido Revolucionario Institucional (PRI) in 2018.

The US attorney general, Loretta Lynch, released a statement commending the Mexican government on Guzmán's recapture, adding that "the US Department of Justice is proud to maintain a close and effective relationship with our Mexican counterparts, and we look forward to continuing our work together to ensure the safety and security of all our people". This would have been comforting for Peña Nieto, who has notably reversed his previous determination not to allow Guzmán's extradition to the US. The average length of extradition proceedings is one year, however, and Guzmán's lawyers have signalled their intention to convert it into a tortuous process of appeals which could drag on for up to six years.

In the meantime Guzmán is back in the same maximum security prison, albeit with enhanced security and surveillance, from which he escaped

## **El Chapo, Del Castillo and Penn**

The media has devoted considerable column inches to the role that the US actor Sean Penn and the Mexican actress Kate del Castillo might have played in the recapture of Joaquín Guzmán. Many details of Guzmán's apparent obsession with Del Castillo, who plays the drug lordess Teresa Mendoza in a Mexican soap opera *La reina del Sur* (four DVDs of which were found in the house in Los Mochis), have been recounted, including various emails exchanged over the last three years that were intercepted by Mexican security forces. Del Castillo brokered a meeting between Penn and Guzmán in the Mexican jungle on 2 October last year. Guzmán later provided a video answering questions sent by Penn. This was appended to a piece penned by the actor and published in *Rolling Stone* on 9 January entitled 'El Chapo Speaks'.

before. The bed in his cell might be basic, but if the extradition process is protracted there will be more sleepless nights among those in authority. Peña Nieto insisted that "Mexico has recovered its confidence and shown that its institutions are up to scratch" after Guzmán was taken, but what this really demonstrated, not for the first time, was the efficiency of the marines. This institutional strength does not extend to the prison system. Osorio Chong dismissed three prison directors after Guzmán's flight last July, but rooting out corruption in the prison system will require more than pruning. The very fact that the government is moving to extradite Guzmán this time around is an indirect acknowledgement of institutional weakness.

### **Operation Black Swan**

As details of Guzmán's recapture have emerged there is also a sense that hubris might have played the biggest part in his downfall. Despite the massive manhunt staged by the government, consuming an enormous amount of public resources through the involvement of 9,630 members of assorted federal security forces over the last seven months, it was Guzmán's desire to see a biopic about his life produced that led him to drop his guard. Mexico's federal attorney general, Arely Gómez, said Guzmán had "contacted actresses and producers" which had helped in the process of pursuing him (*see sidebar*).

Guzmán was tracked down to a house in the city of Los Mochis in his native state of Sinaloa. A security operation led by the marines concluded in the early hours of 8 January. There was an intense gunfight captured on helmet cameras by those involved in the raid during which five members of Guzmán's security detail were killed and one marine wounded. Guzmán managed to escape with his right-hand man, Orso Guzmán Gastelum, through a tunnel under the house and into the city drainage system. They emerged overground 1km from the house and stole a car but this was intercepted by security forces who had anticipated just such an escape.

### **Conspiracy theories**

During his New Year's message on 11 January Peña Nieto maintained that 98 of the 122 most dangerous criminals in the country had now been taken out "and we're going for them all". Conspicuous by its absence from his speech was any reference to steps that his government intends to take, or meaningful reforms it plans to implement, to combat the kind of corruption that allowed Guzmán to escape last July. While the finance minister, Luis Videgaray, maintained that the financial intelligence unit (UIF) was working closely with the attorney general's office (PGR) to investigate Guzmán's businesses and bank accounts, the efficiency of the marines in downing drug kingpins has not been matched by those in charge of cracking down on money laundering, preventing drug money from financing elections, and dismantling the financial structures of Mexico's DTOs.

There has been some speculation that the timing of Guzmán's recapture was staged to allow Peña Nieto to give an upbeat New Year's message and distract attention from Mexico's economic difficulties. On 7 January the peso fell to more than M\$18/US\$1 for the first time ever amid a further fall in global oil prices (Mexican crude slipped to US\$24.75 per barrel, its lowest level in 11 years) and turmoil in Chinese stock markets. On the day of Guzmán's recapture the exchange rate stood at M\$18.20/US\$1 but it had fallen further, to M\$18.46/US\$1, by the next day of trading on 11 January.

Conspiracy theories will not unduly concern Peña Nieto but what will give him pause for thought is the publication of a report by the national statistics institute (Inegi) this week. The national survey of urban public security (Ensu) found that 67.7% of adults over 18 feel insecure living in their home towns and cities. This confirms that the public perception of insecurity has remained constant over the last two years, suggesting that El Chapo's capture, escape, and recapture over this period is, domestically at least, of little consequence.

**Basave's brinkmanship leaves PRD reeling**

The left-wing opposition Partido de la Revolución Democrática (PRD) was left teetering on the brink of chaos this week after the party president, Agustín Basave, presented his formal resignation. Only two months earlier Basave had been elected with the combined support of all of the PRD's distended group of warring factions and given the challenge of leading the party to an electoral comeback in 12 gubernatorial contests this June.

"No party president anywhere in the world can keep going in such conditions of weakness, with any credibility as the representative of his political institution seriously undermined in the face of external interlocutors," Basave said in a letter of resignation to the PRD leadership committee (CEN) on 11 January. Basave complained that competing factions within the party had systematically sought to sabotage his attempts to forge electoral alliances with the right-of-centre opposition Partido Acción Nacional (PAN) in key states staging gubernatorial elections this June. He accused these factions of serving the interests of the ruling Partido Revolucionario Institucional (PRI).

Basave said that he had been aware of divisions within the PRD when he took up the post of party president but not the sheer scale of the rift. He stressed that he had always made it clear that it was his "personal conviction that we need to remove the PRI from power" and that this required alliances with the PAN. Basave added that he had felt compelled to resign for the sake of "dignity" in order "to allow those discrediting me to take over the presidency".

Basave had proposed eight electoral alliances with the PAN but encountered opposition within the PRD to several of these, including in Oaxaca and Puebla (where a PAN-PRD alliance was triumphant in the last gubernatorial elections in 2010), and Veracruz, the most populous state staging elections this June. Together the PAN and PRD stand a far better chance of beating the PRI in these three states than in most of the other states up for grabs. As such, the fact that party factions resisted these alliances prompted Basave to suspect that some powerbrokers within the PRD were intent on turning the party into "a PRI satellite".

These are very serious allegations, given the PRD's pathological antipathy to the PRI, but if it was a deliberate tactic it had the desired effect. Within hours of receiving Basave's letter of resignation the CEN had approved alliances Basave had been brokering with the PAN in Veracruz and Oaxaca, and authorised further negotiations with the party in Puebla and Tlaxcala (the deadline for a formal alliance in Tlaxcala passed on 1 January but the two parties could still agree on a common candidate).

Basave wasted little time in retracting his resignation, but his bold gambit prompted considerable criticism from within the party, including from the leader of the PRD in the federal senate, Miguel Barbosa. It is likely that some of the party's factions compelled to make sacrifices by the CEN will now be out to get Basave. The CEN's swift and decisive action suggests that it is determined to prevent the PRD from being plunged into fresh uncertainty and infighting by having to elect yet another party president so close to gubernatorial elections this June but if the 'Stop the PRI' alliances with the PAN fail to come off, and the Movimiento Regeneración Nacional (Morena) makes more gains at the PRD's expense, knives will be sharpened for Basave.

"I must confess that I had not been aware of the enormous ill-will between tribal factions [in the PRD] which is worse than rivalries with any other party. I would have thought that awareness of the crisis we are going through and an instinct for survival would have sufficed to counteract...fights for internal control and dialogue with the government that are tearing the PRD apart."

*PRD party president,  
Agustín Basave.*

**Amid the tension a glimmer of hope**

As we went to press three opposition politicians had offered to give up their seats in Venezuela's national assembly (AN) pending a potential investigation by electoral authorities into allegations of voting irregularities in the legislative elections on 6 December 2015. The case of the three prompted the first major clash of powers between the national assembly and the supreme court (TSJ), which came down so hard on the legislature, now-controlled by the opposition coalition Mesa de la Unidad Democrática (MUD), that the MUD alleged an institutional coup ('autogolpe'). In an interesting and potentially significant turn, a truce of sorts was hammered out at the last minute between the AN president and the country's new vice-president.

The latest row began on 30 December when the TSJ's electoral chamber, newly stuffed with government sympathisers, said that the three deputies, all from the southern state of Amazonas, along with a fourth from the ruling Partido Socialista Unido de Venezuela (PSUV), could not take up their seats in the new national assembly, citing alleged irregularities.

Given that the country's national electoral council (CNE) had previously signed off on the result in Amazonas, the MUD rejected the TSJ ruling as a clearly political move by a partisan chamber, and in a gesture of defiance the three were sworn in on 6 January. In response, PSUV deputies, encouraged by Diosdado Cabello, the former AN president and PSUV deputy leader, took a complaint to the TSJ the next day. Its contempt of court submission requested that the TSJ rule that all decisions taken by the assembly be declared invalid (and that they not be published in the daily gazette), pending the removal of the three deputies.

The TSJ duly ruled on 11 January that the AN was "in contempt" and ordered that the three deputies be removed, warning that all legislative decisions, current and future, would otherwise have no effect. Cabello triumphantly suggested that the TSJ itself should now take over the role and duties of the assembly. The MUD declared the move an 'autogolpe' - or institutional coup - and vowed not to comply with it.

Cabello also ventured that President Nicolás Maduro's new 'economic emergency' bill, which was meant to be put to the AN the very next day (12 January) in his annual state-of-the-nation address, would no longer require vetting by the 'void' assembly. Maduro has given no details as to what the government's economic emergency plans will comprise, but following his appointment of hard-line left-wing radicals to his economic cabinet, the MUD is fearful of continued interventionist policies focused on price and exchange rate controls, the implementation of which since 2003 has created deep distortions and heavy corruption in the oil-dependent economy.

A serious impasse looked to be on the cards, and observers began to fret that Venezuela risked tipping into the most severe political and economic crisis since the failed opposition-led coup against Hugo Chávez (1999-2013) in April 2002. The US government was quick to react, as was the secretary general of the Organization of American States (OAS), Luis Almagro, who dispatched yet another lengthy (seven-page) letter, this latest addressed directly to Maduro, in which he called on Maduro to see to it that the results of the legislative elections were respected and slammed the TSJ's electoral chamber for stepping out of line.

**CNE stays mute**

It is worth noting that the national electoral council (CNE), which appears to be in summer recess still, has yet to respond to the controversial move by the supreme court (TSJ) to bar the four elected deputies. Neither has it responded to the post-electoral claims of massive fraud involving 500,000 votes by President Maduro, who has not mentioned this claim since the turn of the year.

### **Two-thirds majority?**

There is now some debate as to whether the MUD continues to have a two-thirds legislative majority without the three. It will now have 109 seats to the PSUV's 54 – which some argue still equates to a two-thirds majority of the sitting chamber. The MUD's first order of priority still remains a draft bill to give amnesty to dozens of jailed opposition politicians that the opposition (and countries including the US) consider political prisoners. The national assembly has also set up a committee to examine irregularities in the fast-tracked year-end appointment of 13 new magistrates to the 32-strong supreme court (TSJ).

As ever, Almagro did not mince his words, setting out his argument cohesively. An anonymous US State Department spokesperson, meanwhile, said that the US continued to call for respect for the will of the Venezuelan people, the separation of powers and the democratic process, adding that Washington believed in political dialogue as the best way to address the “serious challenges” facing the country.

That political dialogue appears to have been forged between the AN president, Henry Ramos Allup (a veteran of the traditional party Acción Democrática [AD]) and the newly-appointed vice-president, Aristóbulo Istúriz. Istúriz is another veteran Venezuelan politician who began his political career decades ago in the AD and who some local observers suspect could play a key role in the coming months in coordinating a working relationship between Maduro's radical left-wing cabinet and the MUD-controlled legislature.

The latest decision allows Maduro's annual state-of-the-nation address, a constitutional obligation, to proceed and also allows the AN to continue to function. “Sometimes truces are needed because you have to sacrifice a part to save the whole,” stated Allup, adding, in rather more conciliatory fashion than his initial aggressively anti-government statements upon taking up his post, that the AN would “legislate, oversee and debate”.

Curiously, this ‘truce’ between the Maduro executive and the AN looks to have sidelined the ‘maximalist’ position pushed by Cabello. There has been some speculation in local opposition media over the past week about a split between Cabello and Maduro.

This speculation got louder after Maduro's New Year cabinet reshuffle, in which Cabello was not, as had been expected, brought back into the cabinet, while Cabello's allies (and family members including his brother, for a time the head of the tax office) also appear to have been sidelined. Some in the opposition have suggested that Cabello may, as a result, be vulnerable to ongoing US investigations into his alleged links to criminal activities, including drug trafficking.

## **PERU | POLITICS**

### **Keiko under attack as campaign season kicks off**

Peru's general election is now just three months away. Amid a crowded but rather uninspiring field of some 20 presidential candidates, voters face a difficult choice on 10 April. The contest will almost certainly go to a second round, necessary if no candidate secures 50% of the vote in the first. As things stand, Keiko Fujimori, daughter of the jailed former president Alberto Fujimori (1990-2000), is leading the pack for the first round and would defeat any of her rivals in a June run-off.

The tone of the campaign is set to be bitter, with Jorge Villacorta, secretary general of Peruanos por el Cambio (PPK) - whose presidential runner Pedro Pablo Kuczynski is second in the polls - accusing Keiko Fujimori on 9 January of being “the candidate of forced sterilisations and the violation of human rights”.

“Its undeniable that Miss Fujimori was formed in a dictatorial government. She was First Lady and actively participated in a corrupt and dictatorial government that no democratic Peruvian wants again. She is made in the same image as her father, Alberto Fujimori, who today is serving a sentence for crimes against humanity and embezzlement,” Villacorta stated in a press release.

Kuczynski, who goes by the same acronym as his party, is polling well behind Fujimori, on 16% to her 30%. Fujimori's longstanding lead, which

## **Ecuador goes back to China**

With crude oil prices breaching a new low of US\$30 per barrel (/b), Ecuador is making additional contingency plans to finance this year's budget, based on an oil price forecast of US\$35/b. Finance Minister Fausto Herrera has announced that Ecuador hopes shortly to sign a new US\$3bn loan deal with strategic partner China. This time last year, President Correa announced a deal for over US\$7bn in Chinese financing, mostly linked to the development of infrastructure and energy projects in Ecuador. Disbursement of those funds has been problematic, however.

has never breached 34%, however, is expected to be eroded in coming weeks by stronger attacks on her close association with her disgraced father, who, it is widely assumed, continues to play a key role in the right-wing *Fujimorista* party, Fuerza Popular (FP), from his prison cell. Villacorta added that it was "well known" that the jailed former intelligence chief of Alberto Fujimori, Vladimiro Montesinos, "is behind [Keiko] Fujimori like a shadow". Linking Montesinos to Keiko potentially stands to cause her even more damage than her family name.

Defiant, Keiko Fujimori registered her candidacy in central Lima on 10 January with her running mates, José Chlimper and Vladimiro Huaroc. Also registering were two former presidents: Alan García (1985-1990; 2006-2011) and Alejandro Toledo (2001-2006). Neither man is popular and both are perceived to be corrupt and untrustworthy by voters. García, whose second term was heavily blighted by scandal, had less than 5% support in the December 2015 polls, while Toledo barely featured. García's controversial decision to bring Lourdes Flores, of the right-of-centre Partido Popular Cristiano (PPC), onto his slate may further alienate supporters of his nominally left-wing traditional Partido Aprista Peruano (PAP), although it should strengthen his standing in Lima.

The populist former governor of La Libertad region, César Acuña, whose electoral outfit is known as Alianza para el Progreso, is polling in fourth at about 13%, however he too is having to cope with a string of serious corruption allegations, including accusations of illegal campaign financing and vote buying in previous campaigns, which have put him under scrutiny by the national electoral authority (JNE).

Polls are currently suggesting that Keiko would defeat any of her rivals in a run-off. This has led to a belated realisation by Peru's Left that a new *Fujimorista* government could be a reality. This, in turn, has given rise to several rather unorthodox 'Stop Keiko' alliances, including that between García and Flores; while the left-wing former mayor of Lima, Susana Villarán (2011-2014), also caused a stir with her decision to bury the hatchet with the government led by President Ollanta Humala and become a vice-presidential runner on the slate for Humala's leftist Partido Nacionalista Peruano (PNP).

### **Ecuador's Correa – a family man**

President Rafael Correa admitted in a 12 January TV interview that 2016 is going to be another difficult year for Ecuador, but he dismissed the idea that the political opposition will be able to capitalise on this to oust the ruling left-wing Alianza País (AP) party in the general elections scheduled for February 2017.

Correa said he had no worries about the opposition, which he dubbed a 'media confection', and, in something of a revelation, said that his plan is to move to Belgium with his Belgian wife and family after he leaves office next year. The opposition hopes to mount its strongest challenge yet to the AP in 2017 on the back of the current economic crisis, but it remains splintered and without any unifying candidates.

While Correa may not be eligible to seek another presidential term next year, it had been expected that he would seek a national assembly (AN) seat, from where he could continue to effectively run the AP before running for higher office again in 2021. Correa insisted, however, that his plan is to take time out to spend with his young family, albeit he did not rule out returning in 2021. In the meantime, there is also some expectation that the constitutional court may rule against the AN's recent decision to insert a 'delaying' clause into a constitutional reform allowing indefinite presidential re-election so that it can only take effect in 2021 and not 2017 (this, apparently, at Correa's request). If that happens, Correa might be 'convinced' into running next year after all.

### Cultural heritage

Bolivia's President Evo Morales sanctioned a law last week declaring the wines and singani (a traditional grape-based liquor) produced in the country to be part of Bolivia's cultural heritage. Morales said that the law "will guarantee the production and industrialisation of the grape". The new law designates the promotion of singani and Bolivian wines, produced at between 1,800 and 2,300 metres above sea level (earning them the moniker of 'high wines' for being produced at a higher altitude than anywhere else in the world), as a strategic interest to the Bolivian state, allowing producers to receive tax benefits. The last Friday of February was also declared 'national Bolivian wine day'.

**BOLIVIA | Getting paid by new Argentine government.** On 6 January the head of Bolivia's state-owned oil company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), Guillermo Achá, said that Argentina's state-energy firm, Energía Argentina Sociedad Anónima (Enarsa), had paid a third of its outstanding debt with YPFB for the provision of natural gas.

Achá's comments were made a day after he held a meeting in Buenos Aires with officials from the new Argentine government led by President Mauricio Macri to discuss Enarsa's debt. According to YPFB reports in December Enarsa owed the Bolivian firm US\$300m. Achá said that after the meeting with Argentina's new energy & mining minister, Juan José Aranguren, and Enarsa's president, Hugo Balboa, the Macri government had agreed to make a US\$100m payment to YPFB. Achá added that he also received a commitment by the Argentine officials that the totality of the debt would be paid off by March.

In addition, Achá noted that he had received assurances from Aranguren that the Macri government is interested in "continuing to work closely" with YPFB to ensure Argentina's natural gas supply, allaying concerns that, following the change in government, the Macri administration would seek to re-negotiate or cancel the terms of the contract signed by his predecessor, Cristina Fernández (2007-2015), with the Bolivian government led by President Evo Morales.

Under the terms of the current contract, Bolivia exports 16m cubic metres of natural gas to Argentina per day at a price of US\$5m per British thermal unit (BTU, where one cubic metre of natural gas equals approximately 1000 BTU).

**COLOMBIA | Coffee production hits 23-year high.** Colombia's agriculture ministry released a statement on 5 January showing that the country had produced approximately 14m bags of coffee, the equivalent of 840,000 tonnes (t), last year. This is the highest level of production in decades.

From December 2014 to November 2015 the coffee harvest registered 13.8m bags (828,000 t), representing a 13% increase compared to the 12.2m bags (732,000 t) registered in the previous comparable harvest period. The results were celebrated by Agriculture Minister Aurelio Iragorri Valencia, who reiterated his willingness to continue working with Colombia's national federation of coffee producers (FNC) in 2016 in order to "increase the profits made by producers".

In 2015, Colombia invested over US\$25m in the coffee-producing sector in projects designed to increase productivity and the commercialisation of Colombian coffee all over the world.

On 6 January Iragorri released a statement on his twitter account saying that coffee production in 2015 finally reached 14.2m bags (852,000m t), representing the highest coffee production in the past 23 years.

**PERU | Inflation exceeds central bank target.** On 1 January Peru's national statistics institute (Inei) released a statement showing that the country's inflation rate reached 4.4% in 2015, the highest rate of inflation in the past four years and above the target of between 1% and 3% set by the Peruvian central bank (BCRP).

The director of Inei, Anibal Sánchez, indicated that in December 2015, prices increased by 0.45% in Lima. Sánchez also explained that inflation was boosted by the increase of electricity and water tariffs, and the increase in the prices of certain staple food products, such as potatoes.

Inflation in the price of housing, fuel and electricity reached 7.75%, largely due to the increase in residential electricity tariffs (18.7%) and running water tariffs (8.1%). Food and drink product prices increased by 5.37% on the back of an increase in the price of tubers (53.5%), caused by their lower production due to poor climatic conditions caused by the 'El Niño' climatic phenomenon in the final months of last year in Peru.

Following the release of the Inei inflation figures, the BCRP has said that it expects the country's inflation to reach 2.9% in 2016.

**Image tainted by corruption scandals**

Chile's reputation as the model republic of Latin America has sustained some heavy blows in recent months. Perennial regional leader in the corruption perceptions index (CPI) compiled annually by the NGO Transparency International, and almost every other regional league table, Chile had already been brought back down to earth by a series of campaign-financing and influence-trafficking scandals last year when along came another concatenation of corruption scandals involving price-fixing cartels, firstly toilet paper then poultry and now gynaecologists.

While many Latin American countries have been ravaged by corruption in all shapes and forms over the years, it has been seen as no more than an opportunistic rather than systemic problem in Chile. But when President Michelle Bachelet came out on 7 January to condemn a price-fixing scandal involving poultry products as "unacceptable" and "reprehensible" there was a growing sense of déjà vu. Bachelet said the scandal affected "public confidence and the family budget", and she called on congress to fast-track a government bill to increase the penalties for price-fixing.

With Chileans asking where it will all end, any confidence they might have taken from Bachelet's assurances were undermined by two further developments: the announcement of a formal criminal investigation into her daughter-in-law, Natalia Compagnon, and the revelation of financial irregularities involving congress. Bachelet's approval rating fell to a low of 24% last December according to a survey released by the local pollster Adimark this week, 20 percentage points down on the start of 2015. It found that only 36% of respondents felt Bachelet inspired confidence (a pessimism attributed by Adimark largely to the latest revelations in the 'Caval case', a long-running influence-trafficking scandal involving her son Sebastián Dávalos and Compagnon), while 83% were unimpressed with her government's efforts to combat corruption.

**Price-fixing**

The national economic prosecutor's office (FNE) confirmed on 6 January that three retail giants, which between them control 93% of Chile's supermarkets – Wal-Mart Chile, Cencosud, and SMU – had fixed poultry prices between 2008 and 2011 at least. The FNE recommended that the independent anti-trust court (TDLC) hand down fines equivalent to US\$23m for each of the companies.

The following day the supreme court ordered the dissolution of the association of obstetric gynaecologists operating in the province of Ñuble in the southern region of Bío Bío (VIII). It ruled that the body had colluded to set minimum prices for consultation and surgical procedures through the private health system in the municipalities of San Carlos, Chillán, and Chillán Viejo. The court imposed fines of Ch\$43m (US\$60,000) on the 25 (out of 26) specialists in the province colluding in the scheme. The impact of this price-fixing scandal will stretch well beyond the confines of Ñuble, and resonate nationwide, as it is the first confirmation that this nefarious practice has extended beyond big business and penetrated deeper into society.

The chamber of deputies responded to last October's revelations about the first in the series of price-fixing scandals, between the country's two largest toilet paper manufacturers, by approving a bill last month establishing prison convictions and heavier fines for those found guilty of participating

**More regulation?**

The finance minister, Rodrigo Valdés, conceded that the collusion between the giant supermarket chains over poultry prices was "a blow to the legitimacy of the system". Although he pointedly praised the national economic prosecutor's office (FNE) for its thorough probe, which he said showed that "the state is working", Valdés called for greater "state regulation of the markets [which] don't work alone".



### Other pressing judicial matters

Justice Minister Carla Bacigalupo will be under pressure to ensure that the October 2014 murder of journalist Pablo Medina, who had lifted the lid on various narcopolitics corruption networks, is solved. On 9 January Brazilian police arrested Flavio Acosta Riveros, who stands accused of being the material author of Medina's murder. The Cartes government is keen for the Brazilian authorities to hand over Acosta quickly so that he can be tried in Paraguay along with his uncle, Vilmar 'Neneco' Acosta, the suspected intellectual author of the crime, who was finally extradited from Brazil in November last year after a long legal process.

in price cartels. The bill, approved by 104 votes to 0, would impose prison sentences of between five and 10 years of those held responsible for price-fixing. Price-fixing involving basic goods would come with a minimum sentence of seven-and-a-half years. A financial penalty of 30% of total sales accrued during the period of price-fixing would also be enforced. The bill, which Bachelet urged the senate to approve before the end of January, would re-introduce a law that was on the statute books until 2003.

### Corruption gets close to home

In the midst of all of these price-fixing scandals, Bachelet's credibility has been rocked by further developments in the Caval case. On top of this, several social organisations presented formal charges against six Chilean deputies who received interest-free loans from congress totalling some Ch\$148m (US\$206,000) in 2014. Four of these deputies belong to the ruling Nueva Mayoría. The interest-free loans, some of which could be paid back in up to 28 instalments, came out of public funds meant for the running of congress. The formal charges presented against the deputies followed a report published on 5 January by the consultancy Ossandón & Ossandón, which carried out an external audit of the lower chamber.

It has since emerged that a close aide of Bachelet, Cristian Riquelme, the administrator of the La Moneda presidential palace, also benefitted from eight payments in 2013 totalling Ch\$30m (US\$41,000). Riquelme received the money from Giorgio Martelli, who collected electoral campaign funds for Bachelet in 2013. News of the loan emerged in the course of a separate judicial investigation involving Martelli. He said Riquelme had sought resources for the campaign and the request had seemed reasonable enough.

The constant stream of corruption-related news emanating from Chile is not only damaging for Bachelet personally but also for the country's image abroad. Bachelet tried to regain the initiative on several occasions last year only to be knocked back by further revelations. She was relieved to leave 2015 behind her, but if the opening days of 2016 are anything to go by this year promises more of the same.

## PARAGUAY | POLITICS

### Cartes marks the New Year with his first cabinet reshuffle

President Horacio Cartes welcomed the New Year by unexpectedly carrying out his first cabinet reshuffle since assuming office in August 2013. The mini-reshuffle has seen two prominent members of the so-called 'national team' of ministers replaced at the start of the third year of Cartes's five-year term. In the last two years Cartes has come under mounting criticism for his administration's failure to fulfil some of its key electoral promises. But despite criticism from the opposition, civil-society groups and even dissident members of the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC), until now Cartes has stubbornly resisted making any ministerial changes. The changes in the justice and agriculture & livestock ministries have thus attracted a great deal of attention.

Upon taking office, President Cartes said that his cabinet represented a 'national team' of the best that the country had to offer and would help his administration to achieve all of its objectives. Cartes's decision to opt for a more technocratic rather than political cabinet was applauded by local business lobbies (and heavily criticised by an ANR-PC unhappy with the paucity of ministries it obtained). But three years on, the general population has been largely unimpressed with the Cartes government and its failure to make significant progress in meeting electoral promises to promote greater economic development, combat corruption, and considerably reduce poverty across Paraguay.

## Baruja's priorities

After his swearing-in ceremony Agriculture & Livestock Minister Baruja, said that he had been instructed by President Cartes "to work with the poor" in order to help reduce extreme poverty in Paraguay. "We want them to feel supported and help them improve their quality of life," Baruja said. He added that he would ensure that most of his ministry's resources would now be directed towards "those that have the least", particularly those affected by the recent heavy rains that have produced serious flooding in large parts of the country. "Medium and large producers have the capacity to absorb the consequences of climatic phenomena...the small ones are more sensitive to these," Baruja said.

Yet despite the growing criticism and clear signs of social discontent, characterised by recurring public protests by trade unions, peasant farmers, and students, Cartes refrained from shaking up his cabinet. The only two changes in the cabinet came by way of resignations - Germán Rojas resigned as finance minister in January 2015 for personal reasons but amid rumours of differences of opinion with Cartes, and retired army general Bernardino Soto Estigarribia resigned as defence minister last November after publicly expressing disagreement with the changes in the chain of command of the armed forces made by Cartes.

Cartes's decision to make changes to two key portfolios now has sparked speculation that he is growing more sensitive to his administration's need to deliver on some of its promises not just in response to social discontent but also to appease ANR-PC dissidents in time to position the ruling party favourably ahead of the 2018 general elections.

### Eye-catching changes

The ministerial changes were announced by Cartes's cabinet chief, Juan Carlos López Moreira, during a routine press conference on 6 January. López said that Justice Minister Sheila Abed had been appointed by Cartes to the council of the Yacyretá binational hydroelectric dam that Paraguay shares with Argentina and as such had been asked to resign from her cabinet position to avoid any potential conflict with her holding two demanding (and highly remunerated) public posts at the same time.

An internationally recognised environmental lawyer, Abed was considered to be one of Cartes's most inspired ministerial appointments. She received plaudits for her handling of public protests and the various corruption scandals implicating government officials, national legislators, and top ranking judges. However, the continuous protests and corruption scandals have slowly taken their toll on her popularity, and Cartes clearly considers that she can be better employed in Yacyretá now, as his government prepares for another round of negotiations with the new Argentine government over the terms under which Paraguay cedes its surplus energy produced at the dam to Argentina.

In a sign that Cartes wants continuity at the justice ministry, López Moreira announced that Abed would be replaced by her deputy, Carla Bacigalupo. After being officially sworn-in on 7 January, Bacigalupo said that she would seek to continue with the institutional plans set out by Abed, prioritising the building of three new prisons and improving access to justice in remote areas of the country. Yet Bacigalupo may be forced to deal with other more pressing matters first (*see sidebar*).

López Moreira's announcement that Jorge Gattini had been dismissed from the agriculture & livestock ministry was less surprising. Gattini has long been a candidate to leave the cabinet, with small-scale farmers in particular unhappy with the ministry's failure to provide them with adequate assistance. They accused Gattini, an agricultural engineer, of being more interested in helping large-scale producers than running the ministry's various farmer-assistance programmes designed to alleviate rural poverty.

Pointedly, and in contrast to the changes at the justice ministry, Gattini was not replaced by any of his deputies but by Juan Carlos Baruja, Cartes's adviser on poverty reduction. Unlike Gattini's appointment, that of Baruja, a former ANR-PC mayor of Paraguari, looks eminently political. Indeed Baruja has no relevant qualifications for his new post, although through working as Cartes's poverty-reduction adviser he has been actively involved with government programmes in this area, particularly in rural parts of the country. Tellingly, after being sworn-in, Baruja said his priority would be to support the 200,000 small-scale farmers currently registered with his ministry to help haul them out of poverty (*see sidebar*).

## Petrobras cuts investment

Brazil's state oil company, Petrobras, has cut its investment budget for 2015-2019 by around 25%. On 12 January the company announced that it would invest R\$98.4bn (US\$24.5bn) over the next four years, down from a June target of R\$130.3bn. It's the third time in six months that Petrobras has reduced its investment target. The decision will have a knock-on effect on the Brazilian economy as a whole. According to a study published last year by the ministry of finance, every R\$1bn cut in spending by Petrobras leads to a R\$2bn fall in Brazil's GDP.

June's projected investment budget was based on an assumption that the price of a barrel of oil would be around US\$60 in 2015 and US\$70 in 2016-19. Petrobras also assumed that the Real would only weaken steadily, from around R\$3.10/US\$1 in 2015 to R\$3.56 in 2020. In fact, oil is now trading at around US\$30 a barrel, its lowest level for 14 years, and the Real is over four to the US dollar. Even now, Petrobras's projections could be considered hopeful, with the company believing that oil will rebound to US\$45 a barrel in 2016 and that the currency will remain roughly stable.

With the largest debt load of any oil company in the world, most of it in US dollars, Petrobras had few options but to cut spending. A plan to divest US\$15.8bn in assets in 2015-16, announced in the middle of last year, has so far fallen flat as oil's global slump has reduced the value of assets in general. On 13 January, the Brazilian media reported that Petrobras is trying to sell its R\$5.8bn (US\$1.4bn) stake in Braskem, Latin America's largest petrochemical company. Some analysts have expressed concern that Petrobras could harm future oil production—and, consequently, its cash flows—by cutting spending too much.

The market did not react well to the news. Preferential shares in the company fell over 9% on the São Paulo stock exchange (Bovespa). On Wall Street, Petrobras shares fell almost 6%. Of particular concern is the 26% cut to the company's exploration and production programme. Before 'Operation Car Wash' exposed the corruption at the heart of the company, Petrobras planned to produce 4.2m barrels per day by 2020; its target now is 2.7m bpd by 2020. In 2007, Petrobras was valued at around R\$230bn; its market value now is around R\$83bn, a fall of 63%.

### Vale, Samarco charged

Brazil's federal police have decided to charge Samarco, Vale and Vogbr, a geotechnical consultancy firm, for their roles in the environmental disaster that followed the collapse of the Fundão dam in Minas Gerais in November last year. The accident resulted in the deaths of at least 17 people and led to a vast tide of toxic mud flowing into the Rio Doce. Plant and animal life along an 800km stretch of the river was decimated, and the future of the communities living along the Rio Doce is now in doubt.

Seven individuals from Samarco were indicted by the police, including the company president, Ricardo Vescovi, as well as senior managers. In a statement released to the press, Samarco expressed disappointment at the decision, pointing out that no conclusive study into the causes of the accident had yet taken place. Vale's response was more aggressive. "The assumptions of the federal police on the theoretical responsibility of Vale are based on assumptions that have no actual causal link to the accident, as will be demonstrated in a technical and timely manner, by Vale."

Vogbr declined to comment. It came in for strong criticism last month, when it emerged that as well as holding the contract to monitor the dam's safety, it had also won work to design an expansion of the structure. Under Brazilian law, such an arrangement is considered a conflict of interest.

### Internet access

Ninety-eight million Brazilians do not have access to the Internet, according to a study by the World Bank. As such, the country ranks seventh in the world for the number of its citizens without Internet access. Still, it comes just behind China, the US, India and Japan for the number of its citizens online. Overall, the World Bank estimates around 60% of the world's population, or 4.2bn people, do not have Internet access; around 2bn, the report estimates, do not have a mobile phone.

## Lula and Rousseff accused in Car Wash latest

Although the federal congress is in recess until mid-February, 'Operation Car Wash', the official investigation into corruption at the state-owned oil firm Petrobras, rumbles on. On 7 January, the Brazilian daily *O Estado de São Paulo* published phone conversations and text messages from 2012 to 2014 in which the current cabinet chief, Jaques Wagner, asked for election campaign donations from the now-imprisoned former president of OAS, a major construction firm. This week, both former president Lula da Silva (2003-2011) and President Dilma Rousseff faced accusations of using top posts in BR Distribuidora, a subsidiary of the state oil company Petrobras, as rewards for political support. The fear in the presidential palace is that these accusations, though not criminal, may have some indirect bearing on the impeachment process when it resumes next month.

Wagner is one of President Rousseff's closest allies. At the time of the exchange of messages with OAS president Leo Pinheiros (recently sentenced to 16 years in prison for corruption), Wagner was governor of Bahia, requesting campaign donations for the left-wing Partido dos Trabalhadores (PT) mayoral candidate for the state capital, Salvador. In return, Pinheiros asked for favours from Wagner, such as asking the transport minister to release funds for projects. Federal prosecutors are now reportedly investigating the material, which was leaked to the press. The justice minister, José Eduardo Cardoso, also ordered an inquiry into the leak, which should have been protected by legal confidentiality.

### BR Distribuidora

On 13 January, Attorney General Rodrigo Janot described BR Distribuidora as "a criminal enterprise dedicated principally to diverting public funds to the corruption of public officials and money-laundering". Janot's declaration was part of the charges he has filed against Vander Loubet, a federal deputy from the PT. Although Lula has not been charged in the case, Janot's document describes the former president as using BR Distribuidora "in exchange for political support in the federal congress".

Testimony from Nestor Cerveró, the former director of international services at Petrobras, accused Rousseff of much the same thing. In his statement to prosecutors he said that Rousseff has effectively granted former president Fernando Collor, who resigned while facing impeachment for corruption in 1992 and now a senator, control over the distribution of jobs at the company, in return for his political support. Sources from the presidential palace told the media that Cerveró's testimony was a selective "interpretation" and "exaggeration" of her conversations with Collor.

### Blame on FHC

There is increasing concern within the president's camp, however, that the selective leaking of information in 'Operation Car Wash' could have a bearing on the impeachment proceedings. As such, Rousseff and her allies would have been slightly cheered by the leaking of further testimony by Cerveró which implicated former president Fernando Henrique Cardoso (1995-2003), from the main opposition Partido da Social Democracia Brasileira (PSDB). The former Petrobras director told investigators that members of Cardoso's government had taken up to US\$100m in bribes from the firm, although he declined to name names. The sheer scale and longevity of the corruption scheme may help Rousseff to avoid accusations of direct responsibility.

### Christmas pardons

On Christmas Eve, President Dilma Rousseff signed a decree establishing a "Christmas Pardon" which could be used to benefit prisoners from the Partido dos Trabalhadores (PT) convicted over the *mensalão*, the cash-for-votes scandal that damaged the administration of former president Lula da Silva. Last week, the supreme court confirmed it would not decide on the eligibility of these prisoners for the pardon until after the judicial recess ends in mid-February.

## Macri shares his first asado with Vázquez

Argentina's President Mauricio Macri has been true to his word and visited his Uruguayan peer Tabaré Vázquez soon after assuming office last month. Macri's short but "fruitful" visit on 7 January marked a significant turning point in the bilateral relationship, which had grown tense under successive Kirchnerista governments in Argentina. Macri and Vázquez successfully re-launched the bilateral relation by signing a series of new agreements.

During his electoral campaign last year, Macri said that one of his future government's foreign policy objectives would be to repair diplomatic relations with Uruguay following the emergence of a number of major bilateral controversies: a long-running dispute over Uruguay's UPM pulp mill made it all the way to the International Court of Justice (ICJ) in 2010; and increasingly protectionist trade policies adopted by Argentina negatively affected Uruguay while contravening the founding principles of the Southern Common Market (Mercosur).

After making his regional debut at the Mercosur heads of state summit in late December, Macri promised Vázquez that he would soon visit him in Uruguay to go over the bilateral agenda. Vázquez responded by saying that he would be happy to receive Macri and review the agenda over a traditional asado. Both men stuck to their word. Making his first official foreign visit since taking office, Macri flew to Uruguay's presidential country retreat in Anchorena, Colonia department, to meet Vázquez (who received him with a barbecued lamb). Afterwards, the two men announced the signing of a number of new bilateral cooperation agreements related to the environment, energy and maritime transport.

Upon assuming office, Macri did away with many of the import restrictions imposed by the Kirchnerista governments, as part of his efforts to 'normalise' Argentina's economic policies. This included the repeal of a highly controversial decision in 2013 to ban the entry of any goods destined for Argentina previously passing through Uruguayan ports - a measure thought to have resulted in losses of some US\$100m a year for Uruguay's maritime transport industry. This opened the way for a re-engagement with Montevideo.

Among the more salient deals signed by the two leaders were a bilateral environmental cooperation accord to build a joint new laboratory to monitor pollution levels in shared rivers, which should finally put an end to the UPM dispute; an agreement to develop a bilateral strategic maritime port development strategy, which aims to homogenise practices in ports on both sides of the River Plate to go with the lifting of Argentina's ban on Uruguayan transshipments; a memorandum of understanding (MOU) to dredge the River Uruguay between the cities of Concepción (Argentina) and Paysandú (Uruguay); and another MOU to build two new international bridges across the River Uruguay.

### TRACKING TRENDS

**BRAZIL | Protests over bus fares.** Bus fares in at least 18 Brazilian cities, including São Paulo and Rio de Janeiro, went up by over 10% in early January. On 8 January, thousands took to the streets in both cities to protest against the fare increases; in São Paulo there were minor clashes with the police. On 12 January there were more sizeable protests in São Paulo again, prompting an aggressive crackdown by police and dozens of arrests.

Worryingly for both the federal and state governments, protests over bus fares marked the start to the major unrest of June 2013. With the political and economic situation much worse than two-and-a-half years ago, President Dilma Rousseff is reportedly keeping a close eye on those cities who have allowed fares to increase.

### LNG deal

President Vázquez even revealed that he and President Macri had discussed and "practically concluded" an energy cooperation agreement under which Argentina would buy liquefied natural gas (LNG) produced at the new offshore regasification plant that the Uruguayan government plans to build off the port of Montevideo. The public-private project has been in the pipeline since 2013 but it was officially suspended in September last year amid concerns that it would be commercially unviable without access to markets beyond Uruguay.

**Bulging in-tray for new attorney general****Revamp**

“I don’t want to frighten anyone but this institution has to be shaken up,” said the new attorney general, Douglas Meléndez, who mentioned the importance of transparency on three separate occasions during his inaugural address. “Good prosecutors have my respect and support, but the rest will obviously face being subjected to the corresponding procedural hearings.” Meléndez is already coming under pressure to investigate his predecessor Luis Martínez for obstructing investigations into the country’s powerful Taxis cartel. Various NGOs also presented a lawsuit to the supreme court of justice (CSJ) against the legislative assembly last October for failing to respond to their demand that Martínez be dismissed for negligence and lack of impartiality in the corruption case against former president Francisco Flores.

El Salvador’s two dominant and deeply divided political parties have finally managed to agree on a candidate to take over as the country’s new attorney general. This is a pivotal role given spiralling homicide rates amid a rapidly deteriorating public security situation. Douglas Arquímides Meléndez Ruiz, a career lawyer with no overt party political affiliation, was sworn-in on 6 January. His approval required a super majority in the 84-seat legislative assembly, which means an agreement had to be thrashed out between the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) and the right-wing Alianza Republicana Nacionalista (Arena). Both parties are currently immersed in a bitter war of words, levelling serious accusations of corruption against one another.

The main priority for Meléndez Ruiz will be responding to the dire public security situation in El Salvador. The national daily *La Prensa Gráfica* reported last week that there were at least 6,640 murders in El Salvador in 2015, a jump of almost 70% on the previous year. Assuming this figure is confirmed it means that El Salvador’s murder rate, at 104.2 per 100,000 inhabitants, is not only the worst in Central America, comfortably surpassing that of Honduras, but also the highest rate registered by any country in the sub-region in any year since 2000.

El Salvador makes up only 13.6% of the population of Central America, but it accumulated more than one-third (35.3%) of the sub-regional total of homicides. By comparison, there were 1,500 fewer murders in Honduras, where the murder rate was 56.7 per 100,000 inhabitants in 2015. Between 2010 and 2014 Honduras had the unwanted tag of most violent country in the world, but this has emphatically passed to El Salvador. Indeed, on 8 January Honduran President Juan Orlando Hernández said he had received a phone call from the commander of the US Southern Command, General John F Kelly, praising the recent advances made in the country to improve public security since the homicide rate stood at 86 per 100,000 two years ago.

The average homicide rate for the seven countries in Central America in 2015 was 40.2 per 100,000 inhabitants, up slightly on the 37.8 per 100,000 in 2014, although the increase can be attributed entirely to El Salvador; homicide rates decreased or stayed steady elsewhere in the region. The government led by President Salvador Sánchez Cerén contends that violence is concentrated in certain areas in El Salvador but the upward trend has been registered in 13 of the country’s 14 departments. And even the most peaceful departments are now almost as dangerous as Honduras. The most violent department is Cuscatlán, which closed the year with a homicide rate of 165 per 100,000.

There is no sign at all that things are set to improve in El Salvador. Quite the contrary. There were 30 murders on the very first day of 2016 and well over 100 before the first week was out. The attorney general’s office announced that in the first few hours of the New Year armed men burst into two houses in San Miguel, the country’s third largest city, murdering five people including two women and a minor. The motive was not immediately clear but the national police (PNC) said that it was most likely a revenge killing with one of those murdered a member of a mara gang.

Among those killed on 1 January were 13 maras who died in three different shootouts with the PNC. Five maras were killed in the municipality of Olocuilta, in the south-central department of La Paz, in a shootout with a PNC patrol, which said it had responded in “legitimate defence” after coming under attack.

## **Football corruption**

Mayor Cristóbal Benítez was vice-president of Club Deportivo Vista Hermosa in the department of Morazán, and he constructed a 10,000-seat stadium for US\$500,000 for the football side before being accused of drug-trafficking. Football-related corruption extends right to the top in El Salvador. Reynaldo Vásquez, a former president of El Salvador's national football federation, Federación Salvadoreña de Fútbol (Fesfut), was arrested on 16 December last year by the police. El Salvador's supreme court approved an extradition request for him from the US in connection with five cases of alleged bribery linked to commercial deals for the broadcasting of qualifying games for the Fifa World Cups in 2014 and 2018.

The fact that, not for the first time in shootouts of this nature, no member of the patrol sustained any injuries raises some concerns in a country where the police were effectively given *carte blanche* last year to shoot without fear of consequences.

The PNC's perceived aggressive pursuit of mara members could have given rise to a new and disturbing trend in homicides in El Salvador. The PNC reported on 10 January that the brother of a deputy inspector in the counter-narcotics unit in the south-eastern department of Usulután had been murdered late the previous night in San Miguel, suffering multiple gunshot wounds. The brother of a soldier was also murdered on the same night in Turín in the western department of Ahuachapán. Altogether, in the first nine days of the year seven relatives of members of the security forces were murdered by members of mara gangs. In the entirety of 2015, there were only two such murders, according to the director of the PNC, Mauricio Ramírez Landaverde. If the mara gangs are starting to target relatives of members of the security forces it could well lead to a further intensification of the conflict.

## **Official corruption**

Given the focus on homicides, Meléndez will need more resources and more political will if he is to root out official corruption in El Salvador. Meléndez has the requisite experience. He founded the anti-corruption and complex-crimes unit in the attorney general's office, where he worked between 1990 and 2006. The scale of the challenge Meléndez faces was underlined the day before he was sworn in when Cristóbal Benítez Canales, the mayor of San Francisco Gotera, the largest municipality in the south-eastern department of Morazán, was sentenced to 13 years in prison for drug-trafficking (*see sidebar*).

Benítez was arrested in October 2010 when two kilos of cocaine were found in a plastic bag under the front passenger seat of a pick-up truck belonging to his construction firm Constructora Benítez. He was accused of being part of a drug-trafficking network, but he was let off on a technicality in 2011 by local judge Enrique Beltrán (who was later suspended and prosecuted on bribery charges). The ruling was overturned in 2013 and the case reopened. Despite the case against him, Benítez ran for mayor of San Francisco Gotera in 2015, winning election for the centre-right Gran Alianza por la Unidad Nacional (Gana).

## **FMLN and Arena exchange corruption allegations**

Meléndez will also be drawn into an acrimonious dispute between the FMLN and Arena over corruption. Arena is accusing the FMLN government of using public funds to bankroll a politico-electoral initiative launched by President Sánchez Cerén on 7 December 2015. The FMLN presented the idea of citizen assemblies during the party's national congress between 6 and 8 November, the first since it was formed 35 years ago. The government argues that these citizen assemblies, which will operate in the vast majority of the country's 262 municipalities (along with 14 departmental citizen assemblies), will keep it abreast of local concerns, and deepen popular participation in politics. Arena maintains they are a mirror image of the communal councils set up in Venezuela, with the express purpose of creating a parallel power structure to undercut legitimate elected authorities (*see the latest edition of our Caribbean & Central America report for an in-depth assessment of these new bodies*).

The FMLN insists Arena is kicking up a fuss over nothing to divert attention away from the impending trial of former president Francisco Flores (1999-2004) of Arena for embezzlement. This trial could unearth damaging evidence that some US\$10m worth of Taiwanese donations were channelled into party coffers rather than reaching the intended recipients, the victims of the devastating earthquake that struck El Salvador in 2001.

**Macri slams Argentina's security forces**

Argentina's President Mauricio Macri took aim this week at his country's own security forces, which he claimed had been partially infiltrated by drug-trafficking organisations (DTOs) over the course of 12 years of Kirchnerista governments. As such, Macri said, Argentina was "in a precarious situation" as its security forces were "a long way" from the required levels of professionalism to combat drug-trafficking. Macri's candid remarks came in response to numerous mistakes committed by the security forces during the (eventually successful) attempt to recapture three prominent fugitives connected to the illegal drug trade who escaped from a maximum-security prison on 27 December.

In a press conference at the presidential palace President Macri once again accused the government of his predecessor Cristina Fernández of allowing drug-trafficking to reach levels "never before seen in our history, due to inaction, incapacity, and complicity". He said that there were more than 1,000 fugitives from justice during the 12 years of Kirchnerista governments and that no attempt had even been made to look for them, something he vowed to rectify.

The security minister, Patricia Bullrich, said that "networks of complicity" with organised crime had "taken root" in the country's institutions, arguing that evidence of this was the seemingly bumbling nature of the pursuit of the three fugitives. After more than 500 agents had tracked the escaped convicts for two weeks, and engaged in several gunfights, the government reported on 9 January that they had been captured in a remote rural area in the north of the province of Santa Fe, only to later retract the statement pointing out that just Martín Lanatta had been taken. Bullrich said the government had been fed false information that enabled the other two fugitives, Cristian Lanatta and Víctor Schillaci, to evade capture. Although they were eventually captured two days later the pursuit had been tinged with farce.

Macri congratulated the security forces for the positive outcome but said that the "many failings" along the way were an eye-opener. The national daily Clarín speculated that his government was preparing to purge the police top brass in the province of Buenos Aires. It is difficult to see how Macri can take no action after his forthright comments without seriously undermining morale in the security forces and public confidence in them.

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"The attempt to work together met with some serious problems of coordination because no precedent exists for these types of practices."

*Argentina's President Mauricio Macri indirectly criticises his predecessor Cristina Fernández for the failure of different security forces to work together to pursue three escaped prisoners.*

"We have seen the US General John Kelly [commander of the Southern Command] saying he devotes 40 seconds a day to praying for Venezuela. I would ask Venezuelans to pray that the US ends its bellicose practices."

*Venezuela's defence minister General Vladimir Padrino López.*

"He has resigned his resignation. It seems he is great at resigning. I don't think Basave understands the PRD or that those that elected him understand him. You cannot go about resolving problems like this, like in a drama."

*The leader of Mexico's left-wing PRD in the federal senate, Miguel Barbosa, on what he saw as the impetuous resignation of party president Agustín Basave to get his way over electoral alliances.*