



SPECIAL REPORT

What events will mark the political and socio-economic agenda in Latin America in 2014?

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1. INTRODUCTION
2. POLITICAL OUTLOOK FOR 2014
3. THE INTEGRATION PROCESSES

LLORENTE & CUENCA

1. INTRODUCTION

The year 2013 was very important, even historic, for Latin America. The political figure who had most marked the region since 1999, Hugo Chávez, passed away and the Argentine Jorge Bergoglio was chosen as Pope, the first of Latin American origin in the history of the Church.

On the economic front, the signs of a slowdown that were first noticed in 2012 were confirmed in 2013 and the region (according to ECLAC) is already experiencing growth below 3%. In 2014 it is expected to rise slightly above this figure, which represents a very mediocre increase in GDP for the needs of the Latin American countries. This slowdown is explained by the lower Chinese growth and the difficulties being experienced by the US and EU economies. While the good news is that the region continues to grow despite the problems around it, at the same time it is very apparent that Latin America needs a new wave of structural reforms to modernise its economy and make it more dynamic and competitive.

As noted by Federico Steinberg, researcher at the Elcano Royal Institute (Spain), “this is again highlighting the importance of long-term strategic planning when outlining the growth model, as good times are always followed by lean times. Fortunately, given the rise of the Latin American middle classes (which have an ever-growing consumption capacity) and the fact that several countries (from Mexico to Chile, also including Peru and Colombia) have indeed been able to improve, to some extent, their public policies to ensure a more sustainable growth, everything seems to suggest that Latin America, even with its difficulties, will be able to weather the storm”.

In relation to Brazil, but with a comment that can be applied to the whole region, Steinberg notes that “to avoid this scenario of relative decline, it seems that the solution is to move forward with structural reforms that give a new impetus to the growth potential of the economy and that make it less dependent on the price of raw materials or U.S. monetary policy. This new wave of reforms, focused on microeconomic aspects such as the labour market or taxation, would complement the macroeconomic reforms successfully implemented in the nineties”.

In the social field, the protests in Brazil, led by some of the emerging middle classes demanding better public services and an end to corruption, have been repeated in other countries such as Colombia and Argentina (as had already occurred in Chile in 2011). These all send a message to the political and party

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system that it is not capable of channelling the unhappiness with politics or tackling the high levels of corruption and inefficiency in the public bodies in areas such as health, transport and education. It is a question of protests that go beyond the current issues and that, therefore, will evolve and will be seen again in 2014 in the countries already experiencing them, and certainly in others, as the root problems have not been resolved (inequality, poor public services, lack of transparency, corruption and unrepresentative political systems). Added to this is the fact that the region will grow economically but at a slower pace, which has a strong impact on the State's ability, with fewer resources, to harness the revolution of expectations from the middle classes, deal with social problems (high levels of poverty and inequality) and improve infrastructures and public services.

In addition, from a political-electoral point of view, 2013 confirmed various regional trends seen in Latin America for more than a decade:

- The predominance, in some countries, of dominant charismatic leaderships (the overwhelming re-election of Rafael Correa in Ecuador and the constitutional reform in Nicaragua that removed the limits on re-election in the Central American country, which will surely favour Daniel Ortega and the *Sandinistas* staying in power).

- The return of old dominant forces (the PRI achieved this in Mexico in 2012, the Colorado Party (*Partido Colorado*) in Paraguay in 2013 and the New Majority (*Nueva Mayoría*), formally *Concertación*, in Chile).
- The political heterogeneity of the region is shown in there clearly being three major political trends: the centre-right, centre-left and what calls itself “socialism of the 21st century” (*socialismo del siglo XXI*).

Other events that occurred in the region in 2013 are an indication of where attention will be focused in 2014: Michelle Bachelet and the leftist coalition's return to power in Chile, the slow pace of reforms in Cuba under Castro, the start of the peace process in Colombia and the structural reforms in Mexico.

The following pages take a look at what will be, a priori, the major themes that will characterise the year 2014 in the electoral, socio-economic and political areas, as well as in terms of regional integration.

2. POLITICAL OUTLOOK FOR 2014

From a political point of view, the year 2014 brings seven presidential elections: in February for El Salvador and Costa Rica, in May for Colombia and Panama, and in October for Bolivia, Brazil and Uruguay.

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Many of these processes reflect the region's politics. For example, they show the widespread trend towards re-election that has been present since the 90s. It is interesting to note that three Presidents are seeking re-election in 2014: Juan Manuel Santos in Colombia, Evo Morales in Bolivia and Dilma Rousseff in Brazil. Two former Presidents are also looking to return to lead their countries, as occurred in 2013 with Michelle Bachelet: Tabaré Vázquez in Uruguay (who was President between 2005 and 2010) and Tony Saca in El Salvador (President between 2004 and 2009).

The economic stability achieved around 2003, has favoured the construction and persistence of political hegemonies. The states now have more resources to promote social measures (in some cases clearly patronage-based) which has improved the situation for important sectors in society (poverty has fallen from a regional average level of over 43% in 2002 to the current 27.9%, according to ECLAC). This helps the ruling parties stay in power, a trend which is very likely to be repeated in 2014, at least in the case of Santos in Colombia (heir of Uribe, therefore dominating power since 2002), in Brazil where the PT has been in government since 2003, and in Bolivia where the MAS under Morales have won elections with over 50% of the vote since 2005. In 2014, four parties or coalitions are seeking to remain in power with a new presidential candidate: the Broad Front (*Frente Amplio*)

in Uruguay, the FMLN in El Salvador, the PLN in Costa Rica and Democratic Change (*Cambio Democrático*) in Panama.

During this year, very closely contested and disputed elections will also be in the mix (those taking place in El Salvador, Panama, Costa Rica and perhaps in Uruguay) with elections where everything seems almost to have already been decided (Brazil, Colombia and Bolivia), which is not unprecedented in the region since the same was true in 2013 in Chile where Bachelet's victory was something that all the analysts had already taken for granted.

These elections also show the political heterogeneity of Latin America: a priori, "Socialism of the 21st Century" would triumph in Bolivia with Evo Morales, the moderate left would win in Brazil with Dilma Rousseff and the centre-right would prevail in Colombia with Juan Manuel Santos.

The political success of the ruling parties also highlights the crisis affecting some opposition parties, such as the PSDB (in government between 1995 and 2002) in Brazil who have been incapable of defeating the PT since 2002, the right-wing in Bolivia and the left-wing in Colombia, as neither of these political movements have managed to build a viable and credible alternative with a strong and attractive leadership.

In 2014 there will also be local elections, but with a national importance, in Peru and Ecuador. In Peru, during the coming

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month of November, there will be regional and municipal elections in which 25 regional governments, 195 provincial municipalities and 1,643 district municipalities will be up for grabs. As stated by the Peruvian political analyst Fernando Tuesta, “will the regional and municipal results be a reflection of the potential outcome of the 2016 presidential election? The national parties have lost regional and municipal governments at every opportunity. It is not difficult to conclude that this will not change in 2014. This is known by the national parties and they will surely refrain from participating, will do so in just a few places or will be subsumed in electoral coalitions. However, a defeat or abstention by the parties of the presidential candidates in the November elections will not affect their aspirations for 2016”.

In Ecuador's case, the control of Guayaquil, the only major city to escape the control of *Correism*, will be up for grabs, among other things. The battle will be between the current mayor, the Social Christian Jaime Nebot, and *correist* candidate, the young former Governor of Guayas, Viviana Bonilla.

In addition to the electoral processes, the region will have other important focal points: the outcome of the reforms in Mexico and Cuba, the peace process in Colombia, the inauguration of Michelle Bachelet in Chile, and the economic crisis in Argentina and Venezuela.

The future of the reforms in Mexico

2013 was a successful year for the Mexican president Enrique Peña Nieto, as he managed to obtain approval for most of his proposed structural reforms. Supported in the Pact for Mexico (“Pacto por México” in Spanish, a broad legislative agreement between the country's three main political forces, the ruling PRI, the left-wing PRD and the entre-right PAN), Peña Nieto has seen reforms implemented in education, telecommunications, transparency, tax, penal law, political-electoral issues and, above all, energy, which is considered by many as being the “mother of all reforms”. The institutional deadlock that had been seen in the country since 1997, when the PRI lost its majority in the legislature, was broken thanks to the Pact.

As stated by the analyst of newspaper Excelsior, Leo Zuckerman, “this year ended with some great news: an audacious, profound and promising Energy Reform was approved. This is the most important structural change since the signing of the FTA 20 years ago. Mexico could no longer hold on to a model of absolute state control over the oil and electricity industries. It has raised the option for private companies to invest in them. This is a very encouraging first step, taken thanks to an alliance between the PRI government, PAN and PVEM”.

However, during the five years of presidency that still lies ahead

"The Pact of Mexico no longer exists as it was born and conceived"

for Peña Nieto, he must convert the laws approved on paper into reality, or in other words, drive through the secondary laws for the reforms already approved. The outlook for 2014 has changed, given that the Mexico Pact has become badly worn out after a hard year of negotiations between the three major forces, one of which, the PRD, ended up abandoning the Pact due to its opposition to the energy reforms.

Therefore, this new Mexican political landscape opens with a new development, a change from the first year in government. The Pact of Mexico no longer exists as it was born and conceived, and the President of the PRD, Jesús Zambrano, has been very clear on this point: "The Pact should not be talked about at this time, because it's dead. It's that simple, it's that simple. It's dead".

Everything indicates that to drive the second part of the reforms, Peña Nieto will have to rely exclusively on the PAN, with the PRD remaining outside, something which has already occurred at specific moments in 2013 since the tax reform was voted for by the PRI and the PRD while the energy reform was voted for by the PAN and the PRI (and rejected by the PRD). Some analysts, like Carlos Puig from the newspaper Milenio, believe that the pact, with the PRD as part of it, should not be declared as dead, and that the left-wing will sooner or later (perhaps during the first quarter of 2014) return to its bosom.

Puig adds, "The question that the PRD's leaders should be asking themselves during these holidays is whether it is worth abandoning and burying the instrument thanks to which the left-wing has managed to make more progress on its agenda (telecommunications, revenue) now than in the last 12 to 15 years, and that promised, for example, to deliver the political reform for capital that the PRD have been yearning after for decades. Forever abandoning the negotiating table would essentially give a free hand to the elements of the PRI closest to the PAN to control the great deal of work that remains to be done and listed in the first document of the Pact. Abandoning the table would mean returning to the margins and throwing their second place in 2012 out of the window". rda su segundo lugar del 2012".

Others consider that the stage of the Pact for Mexico supported by the three major parties in the system (PRI, PAN and PRD) has come to its end. Everything indicates that the pact, which was founded supported by these three columns, will now be supported by two (PRI-PAN) but only until 2015, since there are mid-term legislative elections in that year and the logical thing would be for PAN to move away from PRI in order to fight these elections, which are very important for the 2018 presidential elections, with greater room for manoeuvre. "Then we are all going to change because the dominant agenda is going to be 2015", leader of PAN, Gustavo Madero has admitted.

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This outlook leaves the left-wing outside the Pact and trying to organise popular demonstrations against the reforms, especially that of energy. A left-wing that, on the other hand, should address the great internal fight between the PRD, until now collaborating with the government, and the MORENA movement under Andrés Manuel López Obrador. Both aim to dominate the left-wing, where there is no room for both historically opposing groups.

2014 is also a key year in Mexico for the implementation of the security reforms as the National Gendarmerie, with its first five thousand members, will start operating in July this year. The president himself admitted in December that one of the unresolved issues for his government is security: “There are still sensitive issues that we cannot avoid and even less neglect to deal with immediately and effectively. I am talking about kidnapping, which has unfortunately been on the rise in recent months. This is why I want to instruct the Interior Minister so that in January we can present a specific strategy that allows us to confront, contain and reduce the rate of kidnapping”.

Peace in Colombia

The slow progress of the peace negotiations in Colombia marked 2013 and will continue to do so in 2014. Colombia holds its presidential elections in May but will look carefully at what happens in Havana where negotiations between representatives of the

guerrilla forces and the Colombian government have been taking place since early 2013. 2014 is the year of the presidential elections in Colombia and possibly of peace with FARC and both issues will mutually influence each other since Juan Manuel Santos will raise the flag of peace as one of the reasons to re-elect him in May.

So far agreement has been reached on two of the six issues on the peace agenda (integrated agricultural development and participation of the guerrilla forces in the political process), but there is still much ground to cover. Still to be discussed are the third point (ending the conflict, which includes the definitive suspension of all types of armed action and giving up the weapons in a demobilisation process), the fourth (the issue of illegal drugs) and the fifth (acknowledging the victims). There is also a sixth stage, the implementation, verification, and referendum on the agreement reached.

This referendum will be a delicate moment in the process as it will undoubtedly provoke strong debates and controversies since, opposing him, the President will have *Uribism* that flatly rejects the peace negotiations and embodies the unhappiness among broad sectors of the population about the possibility of “seeing the guerrillas sitting in the legislature without having been accountable for their crimes”.

As noted by the magazine Semana, “peace passed the year with good marks in 2013. But big

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questions and big hopes remain for 2014. The coming year will be disrupted taking into account that the electoral campaign may affect the entire outlook of the negotiating table. There will be a peace referendum, elections for Congress, which will have to create the structure to make it possible, and the re-election or otherwise of President Juan Manuel Santos. Also still to be negotiated in Havana are critical points on the agenda such as the issue of justice, drug trafficking and countersigning agreements”.

Of the two great battles that Santos must face in 2014 (electoral and peace), the first one is almost won. Given that the President is the favourite to triumph in the May presidential elections, he will be the one needing to carry out the work of political education to convince the public of the benefits of peace with FARC. This in reality has already started to happen, for example, using the opportunity raised by Christmas Day: “Dearest Colombians, I invite you to reflect on the virtues of the nativity scene: reconciliation and humility in forgiving and asking for forgiveness. I invite you to help us build peace from our families, from our neighbourhoods and our communities”.

However, he does not just appeal to sentiment, but also to the idea of building a national project. Speaking at the National University, he left this message: “If we achieve peace and divert the resources spent on the war and give them to education instead, this country is going

to fundamentally change”. It is clearly a serious personal gamble for the President who is going to put his prestige on the line and in jeopardy, if as expected he is re-elected.

There promises, therefore, to be a long process of negotiations with FARC because if the first two points on the agenda consumed the whole of 2013, the three that are still to be discussed, plus the holding of the consultation, will last for at least the whole of 2014.

Brazil, a change of government and the FIFA World Cup

Brazil holds its presidential elections in October and Dilma Rousseff starts as the strong favourite now that she has managed to overcome the bad times she went through in June 2013 with the social protests in the country's major cities. These protests brought to the fore the unhappiness of the middle classes with the political system, corruption and the poor condition of the public services.

However, before the big election date, two events will influence the political dynamics of the country. A change of cabinet, which is necessary because various ministers will opt for different electoral posts in 2014. This will shape the new government, and, in the event that, as appears evident, Rousseff is re-elected, many of its members will have a decisive bearing on the future administration. In this respect, what stands out is the possibility that Aloizio Mercadante will become the new strongman of

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the government, moving from his current portfolio of Education to that of *Casa de Gobierno*, a sort of Head of Cabinet (a position which incidentally was occupied by Rousseff herself in her day). Mercadante, intellectual and with extensive political experience, has been steadily gaining weight in the cabinet over recent months since he has carried on his shoulders the relationship and different negotiations with the party base that sustains the government in the legislature.

On the other hand, in the middle of the year, in June and July, there will be a sporting event that goes far beyond the pitch, the FIFA World Cup. It is an international showcase for Brazil, so it is very important that everything goes well both on the football pitch (ideally with a win for Brazil which would generate a kind of surge of optimism that the executive could channel to their advantage in the October elections) and in terms of the organisation, where the government hopes to demonstrate that the country is up to the standards of the modern nations and emerging powers.

In her speeches it is clear how important Rousseff herself considers this event from the point of view of Brazil as a country ("I think that now was the time for the World Cup to return to Brazil. It was necessary. I call upon Brazilians: we will unite around this World Cup because this World Cup is for you"), from a merely sporting point of view and for its international image ("Visitors will have the chance to discover Brazil, a multicultural and

entrepreneurial country; a land of opportunities, that honours its cultures and traditions, preserves the vast heritage of its biodiversity and that has met the challenge of ending poverty and creating opportunities for all").

Reforms in Cuba

In comparison with the Mexican reforms, approved in just one year, or the high profile Colombian peace process, what is happening in Cuba is going at a completely different pace, slower and quieter, which is being controlled by the senior members of the regime and its leader Raúl Castro.

The year 2013 saw the immigration reform that ended decades of restrictions on leaving the island and also allowed the return of more than 3,000 emigrants.

Among the most important reforms for 2014 is that for finance, with the gradual elimination of the dual currency system in place in the country. In addition, it is expected that business autonomy can be generalised in order for factories to sell their surplus, fixing their prices through supply and demand.

This reform, according to the official newspaper Granma "consists of authorising the General Directors of these businesses to sell wholesale to Cuban legal entities, upon completion of the contracts, the surplus of selected productions and the service authorised, taking into account market demands, covering all costs, expenses and tax commitments".

“The projections for Latin America point to better conditions than in 2013 for the region, which will grow at 2.7% and 3% over the next two years”

The reforms, especially in finance, are going to be hindered by an extremely slow growing economy (below 3% in 2013 and slightly above 2% in 2014) that has the fiscal deficit as one of its weak points.

The economic crisis in Venezuela and Argentina

While Latin America is growing economically, albeit with a slight slowdown, there are two major exceptions, Venezuela and Argentina.

Venezuela starts 2014 hindered by the second highest inflation rate in the world (56.2%), only beaten by that of a country in civil war, namely Syria, and shortages that rise above 20%. “What is expected in Venezuela is a fall in growth, higher inflation and more shortages. There is nothing that helps stabilise prices in Venezuela. There is a currency crisis, and there is no plan to stabilise or restructure the currency market, nor is there a plan to stabilise prices”, comments Orlando Ochoa, professor of economics at the Andrés Bello Catholic University.

In Argentina, an increase in prices (30%) has combined with a soaring deficit and a significant slowdown (growth below 1.5%). The political analyst Fernando Laborda argues that “the head of State has entered a stage probably worse than that of the classic “lame ducks” of North American politics: not only must he deal with a scenario in which his re-election is forbidden and he lacks chances to reform the National Constitution,

but he is also powerless to anoint an heir. To the political problems of a government with blatant difficulties with its succession within two years and plagued by corruption scandals, we can add a range of symptoms that aggravate the social and economic situation: insecurity for everyone, rising inflation, slowdown in growth, slow decline in the number of businesses (there are more closing than opening), severe loss of Central Bank reserves (around 13,000 million dollars during the year), a fiscal deficit that can no longer be disguised even through contributions from the Argentine Central Bank (BCRA) and Anses, and a crisis in the energy sector that is hitting the population”.

The projections for Latin America point to better conditions than in 2013 for the region, which will grow at 2.7% and 3% over the next two years. However, the economies of Argentina and Venezuela will record the lowest rates of expansion in those two years. On average, the first will grow 1.3% and Venezuela, barely 1%.

The two governments are facing very different moments. Nicolás Maduro was politically strengthened by his victory in the municipal elections and his offer of dialogue with the opposition. With no elections in 2014, internally strong and with a weak and divided opposition, Maduro will take measures to tackle the economic crisis that could include a rise, certainly gradual, in the price of petrol and maybe a new devaluation, much greater than the latest at the start of 2013.

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These are clearly unpopular measures and could open the door to social protests. Political analyst and director of Datanálisis, Luis Vicente León, argues that "it is certain that there will be conflicts and protests in different regions and sectors, since this is typical of a deteriorating economy like that of Venezuela. This conflict will be obvious and may even in some cases be thunderous, but from there to expecting the numbers involved in this action to lead to an event that will put in danger the stability of the government, seems to be a very big leap".

In contrast, the executive of Cristina Kirchner is showing clear signs of suffering from what is known as the "lame duck" syndrome (a phenomenon that occurs in the final years of a President who cannot be re-elected) due to her political weakness and inability to handle and control the agenda. Her latest government reshuffle does not seem to have worked and the star of the cabinet, Jorge Capitanich (Head of Cabinet) appears worn out and unable to control the government's work. The police strike and subsequent wave of looting in early December, and the energy crisis at the end of the year, are obvious signs of this weakness and have buried the idea that Capitanich will be the presidential candidate for *Kirchnerism* in 2015.

In Argentina, 2014 will be a pre-electoral year where thoughts are going to be more focused on the 2015 presidential elections than on collaborating with a government

that is in decline and plagued with inflation, social unrest and power cuts. As the analyst at the newspaper La Nación, Jorge Oviedo states, "the fiscal situation at the start of 2014 could not be more worrying. The current year closes with a record deficit for the nation. Everything indicates that, without major substantive measures, things will get worse in the next financial year".

Over the coming months, the country's most important figures will begin to take positions so that they can enter 2015 better placed. This is the case of Daniel Scioli on behalf of ruling *Peronist* party, Sergio Massa, among the dissident *Peronists*, Mauricio Macri on the right, Julio Cobos of the UCR in the centre and Hermes Binner of the PS on the centre-left.

The start of the Bachelet government

In March the second Michelle Bachelet government will enter office with high expectations. The President has pledged to drive through education and tax reforms. But the most ambitious and difficult reform to carry out is the constitutional one.

The outlook that the President faces is not easy, as the political analyst Ascanio Cavallo notes: "Will it be more difficult for the government? Certainly. Piñera's was and anyone's would be. The president-elect herself anticipated this during her campaign. Modern societies are more fickle, and more rebellious when they see the effects of progress. Each



“Michelle Bachelet is already seeing tensions in the relationship between two of her coalition partners, the Christian Democrats and the Communists”

step requires and provokes the one that follows. Requesting conformism is a political and intellectual contradiction”.

In addition, on an international level the judgment of the International Court of Justice at The Hague on the border dispute between Chile and Peru will become known imminently (January 27), a time of clear bilateral tension and tension within the two countries. It will be a time of strong internal and external strain that will test the Piñera government in its final days and will mark Bachelet's agenda when she takes power.

The election of Michelle Bachelet as President of Chile has caused important changes in the political map of the Andean country. It has sparked a predictable and long-expected "civil war" in the right-wing, very hard hit by the defeat, and has launched some questions about the cohesion of New Majority, the coalition that surrounds the President-elect.

Michelle Bachelet is already feeling the tensions in the relationship between two of her coalition partners, the Christian Democrats and the Communists. However, two large rivals, namely the Socialists and the Christian Democrats, were capable of creating the *Concertación* coalition, defeating Augusto Pinochet, and remaining united during the 20 years in government, even when the dictator passed away.

However, despite the historical antagonism between the Socialists and the Christian Democrats, their

years opposing the military regime and co-existence in government encouraged a type of “coalition identity” to be created, which lived on beyond the tensions of government. They were also united by the electoral system (the binomial) that encouraged the creation of large coalitions, the existence of a united right wing and the political division resulting from the referendum of 88 (the yes-no to Pinochet). All of this, which unites the Socialists and Christian Democrats, does not exist between the Christian Democrats and the Communist Party of Chile, a relationship that is mainly dominated by historical and ideological incompatibilities, in domestic and foreign policies.

The Communist Party of Chile has already stated that it not only wishes to support Bachelet in the legislator but also join the cabinet. This greater role for the communists is viewed with suspicion by the Christian Democrats. The former member of parliament and President of the Christian Democrats, Gutenberg Martínez, publicly said that he is against the inclusion of the PC in the New Majority government: “If there were no precisions required by the Communist Party of Chile, if things were simply as they have been so far, I think an addition (to the cabinet) would be a mistake”. Michelle Bachelet has already had to put out this first sign of fire and stamp her power and autonomy: “Whoever forms a future cabinet is the exclusive responsibility of the President-elect. It will be me who decides who will form a future cabinet in my Government”.

"The current crisis does not seem like it will be one of many that marks the history of the Chilean rightists, but what we are witnessing is a time that will end up being the foundation of a new entity"

The President of the Christian Democrats, Ignacio Walker, has been more subtle and moderate than Martínez, but has also made several warnings. For example, he has asked for "loyalty" from the members of New Majority in anticipation of the Communist Party being tempted to pressure the government through street protests. For Walker, loyalty "means that when one forms part of a government, one takes on the costs and the benefits, one is part of the government through the good times and the bad. I hope that Bachelet can count on her political allies to commit themselves to her government from beginning to end. I can assure you that the Christian Democrat Party will be loyal to the government, and I wonder if all the New Majority parties can make the same claim".

These words have caused the first undisguised tensions among the communists and their leader, Guillermo Teillier, has not kept quiet: "I don't know if he said this with respect to the Communists or to everyone, because the Socialists have also felt alluded to. He says it by way of prevention, I don't know what has bitten him. What we have suggested is that in the New Majority, for the manifesto and parliamentary agreements, we have acted loyally and they have too. We all expect to be loyal and we will all be pointing it out if someone fails".

Meanwhile, the knives are out in the right-wing, something that was expected given the internal differences that were seen in the campaign and following a long

history, dating back to 1988, of fierce clashes between the two major centre-right forces, the UDI and the RN. The current crisis does not seem like it will be one of the many that punctuate the history of the Chilean right, but rather we are witnessing a time that will end up seeing the foundation of a new entity.

This fight exists because the main two leading forces in the centre-right are looking to rebuild the Alliance around their own leadership. It is between President Sebastián Piñera, who hopes to return in 2018, the RN Senator-elect for the Santiago East seat, Manuel José Ossandón, and also RN Senator Andrés Allamand.

Specifically, Allamand has openly declared war against Piñera in some very harsh statements made to the newspaper La Tercera: "The first thing that is evaluated in an election is the continuity or change in the government in office... it is clear that the primary responsibility for electoral failure rests with President Piñera and his government".

Allamand and Ossandón (who has said that "this government is better than Bachelet's, in management, in administration, but is politically disastrous") dream of rebuilding and leading a new right. But at the same time they are both aware that Piñera has that same desire. There have even been some moves that would suggest that Piñera's factions are seriously considering abandoning the RN to create their own alternative political force.

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Points of attention in Central America

In addition to the elections in Panama, Costa Rica and El Salvador, Guatemala and especially Honduras, will be the focus for attention in this area of Latin America.

The two most violent countries in the region (and in the world for Honduras) face different political situations. In the case of Honduras, Juan Orlando Hernández takes up his post in late January at a difficult juncture in which the governability of the country is at stake, since he does not have a legislative majority. The ruling party, the National Party (*Partido Nacional*), conservative, has the most seats (48) but does not have enough votes to govern alone. It would need to agree pacts either with the Liberal Party (*Partido Liberal*), its historical adversary, with LIBRE under former President Manuel Zelaya, who has denounced the 2013 elections as fraudulent, or with the small Anti-Corruption Party (*Partido Anticorrupción*) under Salvador Nasralla, a populist and anti-system party for which agreeing a pact with the government would mean diluting its anti-corruption message.

Guatemala will be entering a pre-electoral year in which the forces will be trying to position themselves for the 2015 elections. Both the ruling party, the Patriotic Party (*Partido Patriota*) under Otto Pérez Molina, and the opposition, especially LIDER under Manuel Baldizón, will place electioneering considerations above any others.

3. THE INTEGRATION PROCESSES

2014 is going to be a very important year for the two big regional integration processes, the Pacific Alliance (*la Alianza del Pacífico*) and the Bolivarian Alliance for the Peoples of Our America (known as ALBA for its Spanish name). For the Alliance, it should be a year of growth and consolidation, while for ALBA it should be a year of restructuring and seeking new ventures.

These integration processes are also at decisive moments, considering that negotiations are currently ongoing for big agreements such as the TransPacific Partnership (TPP) and the TransAtlantic Trade and Investment Partnership (TTIP), between the EU and USA, that will profoundly transform the trade scenario and international relations, from which Latin America cannot be excluded.

The young Pacific Alliance, the rising star of Latin American integration, achieved significant progress in its first official year, which contrasted with the stagnation of other regional mechanisms such as the Andean Community and Mercosur. The Pacific Alliance is entering a new stage in 2014, since in the 2012-2013 period the objective was to set it in motion, and as of this year all eyes will be placed on growing and consolidating it, with impending additions such as Panama and Costa Rica.

ALBA, which sees the Alliance as a fundamentally ideological rival (Rafael Correa expressed

“Without political leadership and without Venezuelan funds, the future of ALBA does not look particularly promising”

his dislike for this integration project: “We care a great deal for Colombia, Peru, Chile, Mexico, but there are two different visions of the world: neo-liberalism, free trade, and those who believe in Socialism, in guaranteeing rights, in free areas but not for free trade but rather freedom from hunger, freedom from poverty”) is experiencing a time of stagnation and doubts. Firstly because it is a project fundamentally born from the initiative and regional leadership of Hugo Chávez and his disappearance reduces its power and impetus.

Secondly, ALBA is economically reliant on Venezuela, a country that is going through a delicate situation marked by inflation, shortages and soaring deficits. The loans granted by the Republic to other countries, mainly concentrated in the Petrocaribe agreement, fell in the first nine months of 2013 by 68.5% compared to the amount granted during the same period in 2012. This situation led Guatemala to leave the pact when Venezuela raised the rate of interest for the deferred payment of oil and the percentage that had to be paid within 90 days.

Faced with this danger of stagnation, the members of ALBA and PetroCaribe (the latter

made up of Antigua and Barbuda, the Bahamas, Belize, Cuba, Dominica, Granada, Guyana, Haiti, Honduras, Jamaica, Nicaragua, the Dominican Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Venezuela), agreed to expand the economic integration achieving supplementary agreements with the Southern Common Market (Mercosur) and the Caribbean Community (Caricom). However, without political leadership and without Venezuelan funds, the future of ALBA does not look particularly promising.

Other integration processes are going to go through decisive periods: Mercosur also has before it the challenge of revitalising negotiations with the European Union to reach a trade agreement that has been stuck for more than a decade, and that causes strong differences between the partners: those more willing to reach an agreement (Brazil, Uruguay and Paraguay) on one side, against Argentina and Venezuela on the other.

The Ibero-American Community dismissed Enrique Iglesias, who will most likely be replaced as Secretary General of the SEGIB by the Costa Rican Rebeca Grynspan.

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