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FEATURED Q&A

Does El Salvador Need to Renegotiate its Gang Truce?

Q Catholic Church leaders in El Salvador recently called for a renegotiation of a 2012 gang truce that resulted in a considerable drop in the country's murder rate, but which has since become more fragile, leading the country's homicide rate to climb again. However, Salvador Sánchez Cerén, who takes office as the country's president in June, has said he would not negotiate with criminal groups. Should the truce be renegotiated? Are Sánchez Cerén's security and anti-crime strategies likely to be similar or different to those of his predecessor, and in what ways? What is the outlook for security and crime in the country?

A Rubén Zamora, ambassador of El Salvador to the United States: "President-elect Salvador Sánchez Cerén has stated his intention to tackle insecurity through a comprehensive approach that includes social prevention of crime. President Sánchez Cerén will not reset the 'iron fist' policies that led to an increase in homicides during four conservative administrations. From his inauguration June 1 onward, Sánchez Cerén will elevate citizen security as a national priority. On several occasions, the president-elect has expressed that his vice president, Óscar Ortiz, will be involved in this task. During his 14-year tenure as mayor of the metropolitan council of Santa Tecla, Ortiz has built solid relationships with local leaders, officials of the executive branch, mayors from different parties, legislators, and representatives of non-governmental organizations. Ortiz is an innovator of public policies in citizen security, such as the formulation in 2009 of the first municipal security observatory in El Salvador and creating a methodology to dialogue with the community. In addition to this approach, the new government will strengthen the technical and technological capabilities of the National Civilian Police and reinforce our combat against organized crime and drug trafficking. The new

Continued on page 3

Panama's Varela to Impose Price Controls on Food Products

Panamanian President-elect Juan Carlos Varela said Tuesday that his first action upon taking office in July will be to impose price controls on basic food products. Food prices have been rising in the country. See story on page 2.

File Photo: Varela Campaign.

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NEWS BRIEFS

Intelligence Chief for Mexico's Tamaulipas State Killed in Ambush

The head of intelligence for Mexico's northeastern Tamaulipas sate, Colonel Salvador Haro Muñoz, was shot and killed Monday along with his two bodyguards after they were ambushed in their car in the state capital of Ciudad Victoria, BBC News reported. Haro Muñoz had just recently assumed the position. Tamaulipas is the stronghold of the Gulf drug cartel.

Alliance Boots to Acquire Farmacias Ahumada

European pharmacy retailer **Alliance Boots GmbH** said Tuesday that it has agreed to a $637.5 million deal with Mexico's **Grupo Casa Saba** to acquire its retail pharmacy division, **Farmacias Ahumada**, the *Chicago Tribune* reported Tuesday. Alliance Boots said it expects the all-cash deal, in which it will acquire 1,000 stores in Mexico and 400 in Chile, to be complete by the middle of the third quarter. The company is 45 percent owned by **Walgreen Co.**

Colombia Crude Output Hit 20-Month Low in April

Pipeline attacks and community protests drove down crude output in April in Colombia, which at 935,000 barrels per day was the lowest monthly level since August 2012, the government said Monday, Bloomberg News reported. There were 33 pipeline attacks by rebels in the year's first quarter. A March 25 attack halted operations at the country's second-largest pipeline, the Caño Limón-Coveñas pipeline, and repairs were prevented by the U'wa indigenous group. Government officials reached a deal with the U'wa last week, with repairs expected to be complete in a few days.

Economic News

Panama's Incoming President to Impose Price Controls on Food

Panama's president-elect said Tuesday that his first action upon taking office on July 1 will be to impose price controls on several basic foods in order to hold down rising costs, Reuters reported. Juan Carlos Varela, who was elected Sunday, said he would "establish emergency price controls on 22 products in the basic basket to lower the cost of living by more than $600 million for the Panamanian people and avoid speculation in products." The move will be a blow to Varela's rival, current President Ricardo Martinelli, who owns one of the Central American country's largest supermarket chains. When Varela was asked whether the price controls would affect Martinelli's stores, Varela responded, "Without a doubt." The price controls would be applied to foods including rice, meat and cheese, said Varela, adding that food products carry huge profit margins. "We feel that this is very unfair to people," said Varela, whose family owns the country's largest liquor company. Increases in Panama's annual inflation rate have been slowing. Inflation decreased to 3.3 percent in March. However, prices of food and drinks have gone in the opposite direction, rising 5.1 percent on the year in March, a half percentage point increase from December. Varela, who won 39 percent support in the election to capture the presidency, has vowed to continue many of Martinelli's social programs and infrastructure spending plans, though with what he said would be with more transparency. "I'm not going to raise taxes. My taxes are going to be on corruption," said Varela, who added that he expects 6 percent growth on average during his administration. Under Martinelli, the country has experienced 8.2 percent annual growth on average, one of the fastest rates in Latin America. Varela added that Panama will invest more than $15 billion during his term, mainly in large-scale infrastructure projects and social programs, and that Panama will also pay down debt. "We will use our cash flow to confront the debt, pay our creditors and also take on more debt and keep investing in the works that the Panamanian people need," he said. Varela also must oversee the expansion of the Panama Canal. Work was halted last month on the project due to a nationwide strike over pay. The strike followed another work stoppage earlier this year amid a dispute between the Panama Canal Authority and the building consortium over cost overruns. [Editor's note: See Q&A on the election in Tuesday's *Advisor*.]

The price controls would be a blow to outgoing President Ricardo Martinelli's supermarkets.

Brazil's Oil and Gas Output Rises to 26-Month High

Oil and natural gas output in Brazil hit a 26-month high in March with output by foreign companies compensating for stagnant production by state oil company **Petrobras**, according to data released by oil regulator ANP on Monday, Reuters reported. Brazil produced an average of 2.64 million barrels of oil equivalent per day (boepd) during the month, the second-highest monthly result in the country's history and the highest level since January 2012 when production hit 2.68 million boepd. March output increased 1.15 percent from February and 13 percent year-on-year. Petrobras, led by CEO Maria das Graças Silva Foster, remained the country's largest producer in March, with output of 2.27 boepd, but its share of total national output fell to 86 percent from 93 percent a year earlier. Petrobras was affected by declining production at older fields and difficulties

Foster

File Photo: Petrobras.

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bringing new ones online. The company's total crude and natural gas output rose just 0.2 percent in March from February and was hurt by the shutdown of a its major P-20 platform in the Marlim offshore field, *The Wall Street Journal* reported last week. Foreign companies filled the gap left by Petrobras and helped boost overall production. Britain's **BG Group** was the second-largest oil and gas producer in the country with 70,879 boepd in March, up 83 percent from a year earlier but roughly the same as the previous month. Norway's **Statoil**, the third-largest producer, produced 47,497 boepd, up 2.5 percent from February and 10 times more than a year earlier. **Shell**, the fourth-largest producer, doubled output from a year earlier to 42,726 boepd, a 50 percent month-on-month increase.

Company News

Bancolombia to Devote 10 Percent of Assets to Highway Program

Bancolombia said Tuesday that it is in talks with the administration of Colombian President Juan Manuel Santos about financing the government's $25 billion highway program, Bloomberg News reported. Colombia's largest bank added that it plans to devote approximately 10 percent of its assets to the initiative. The bank expects the highway projects to be "materialized" in its loan portfolio by the end of next year and "fully reflected" in 2016, Bancolombia's chief financial officer, José Humberto Acosta, said on a conference call. The infrastructure project could be delayed, however, as builders have had trouble lining up financing, José Restrepo, an equity strategist at the **Serfinco** brokerage, told Bloomberg News. The program's first three projects only attracted two bidders out of a pool of 10, he said. "There are still issues that haven't been resolved in the financing of the program," Restrepo told Bloomberg News. "There's something that hasn't been right in the structure, which explains why you're not getting all the bidders."

Featured Q&A

Continued from page 1

government discards negotiations with any actor beyond the limits of the law and the Constitution. However, President Sánchez Cerén is aware of the need to build national agreements on this issue with the private sector, political parties and civil society. Finally, our government welcomes the positive gestures of American authorities, who have expressed their support for a more community-oriented approach toward citizen security in El Salvador. El Salvador and the region need a new agenda that prioritizes the common socioeconomic challenges over any military approach."

Adam Blackwell, secretary for multidimensional security at the Organization of American States: "This is less about a truce and more about understanding the underlying drivers of the high levels of crime and violence. Our thorough diagnostic of the security situation in El Salvador in late 2011 affirmed that the gangs emerged from the disruption of the civil war as a very violent expression of social exclusion—and as a major threat to national security. If this is the case, then logic would dictate that the more repressive the action taken by the state, the more exclusion and violence would ensue. Looking at the recent uptick in homicide rates, it is no coincidence that it occurred during a period of more aggressive action by the police and almost no intervention with the gang leaders by the mediators of the process that started in March 2012. I would hope that the new government would try and deal with the problems of insecurity by building on and expanding the process started two years ago. Any plan should include: the continued professionalization of the rule of law institutions to be able to disrupt and disable narco and organized crime elements, a mid- to long-term integrated plan to manage the gang phenomena, and an inclusive multi-sector national plan to make the necessary investments and alliances so that education, training and the economy can flourish. The OAS has always said that any plan to resolve the long-standing gang issue should build on the successful practices (and there are many) of integrated municipal efforts like those in Los Angeles. The common elements include prevention, slowing the growth of the gangs by working with at-risk youth and intervening in the community when violence happens to stop reprisals and further escalation. Also needed are proper prison classification and segregation so that young offenders are not with hardened criminals. Obviously, reintegration programs are important for those who are leaving jail, but also for those who want to leave the gangs or move to the licit economy. Finally, there needs to be more help and counseling for the victims of gang violence."

> "This is less about a truce and more about understanding the underlying drivers of the high levels of crime and violence."
>
> *— Adam Blackwell*

Héctor Silva Ávalos, Salvadoran journalist and research fellow in the Center for Latin American and Latino Studies at American University: "Insecurity will be the main challenge faced by the incoming government in El Salvador. The increasing trend of homicides will be the most urgent problem for President-elect Salvador Sánchez Cerén to confront. The new security cabinet will have a crumbling gang truce that was brokered and nurtured by the outgoing administration of Mauricio Funes. Since early 2014, the homicide figures have again reached 10 killings per day; before January, and for 18 months after the truce was first brokered, killings

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Featured Q&A

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reached a low of five per day. Furthermore, older gang leaders in prison and new bosses who gained strength with the truce are now direct interlocutors of the state and see themselves as valid social, political and fighting forces. Aside from the drop in homicides, the truce also brought to the table long unseen phenomena such as the low morale of the police corps, corruption in the jails and the political manipulation of the gangs. All of that made clear, yet again, the weakness of the Salvadoran state to face the threats confronting it, such as gang violence or the long-tolerated drug trafficking. Sánchez Cerén's team will have to face the truce from a very complicated dual standpoint: while trying to prevent bloodshed if the pact is fully broken, the new government will have to set completely new standards in prevention and rehabilitation programs and, at the same time, fight extortions (the gangs' main source of income). The other front, that of drug trafficking and its infiltration in El Salvador, is quite less violent but far more sickening for the economy and democratic stability in the long term."

> "The increasing trend of homicides will be the most urgent problem for President-elect Salvador Sánchez Cerén to confront."
>
> *— Héctor Silva Ávalos*

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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