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# Peña Nieto drops bombshell in bold bid to revive Mexican economy

**There was a sense that Mexico's President Enrique Peña Nieto needed something big to mark his second state-of-the-nation address (Informe) this week. Over the course of the last 21 months he has successfully pushed through congress all of the groundbreaking reforms contained within his cross-party 'Pact for Mexico' but many of these will take years to deliver tangible results and opinion polls suggest that the public is not content with the promise of jam tomorrow. Peña Nieto marked the next phase of his mandate by announcing a massive public infrastructure investment programme over the next four years to drive economic reactivation: the flagship project is a huge new international airport, with six runways, at a cost of M$120bn (US$9.17bn). He also reached out to poorer Mexicans by promising to transform the social welfare programme 'Oportunidades'.**

In a 90-minute address to assembled dignitaries in the national palace on 2 September, President Peña Nieto said that when he took office on 1 December 2012 a "big step" was needed "to break with the myths and limitations" and that this had been achieved with a great national accord. But with the approval of the last of the reforms on 11 August this phase had ended, prompting the question "What now?" The answer to this, he said, was "set them in motion." As they will inevitably take time to get up to speed, however, Peña Nieto needed something to make an immediate difference. This will be supplied by a sweeping public infrastructure plan, with investment of US$590bn (63% from state coffers).

The infrastructure plan is designed to reactivate a sluggish economy: GDP growth predictions for 2014 have been progressively cut this year to just 2.7% for 2014, well short of Peña Nieto's annual target of 5% growth. Public spending on this scale could also bring a more immediate lift in the polls for Peña Nieto, who is less popular than either of his direct predecessors, Vicente Fox (2000-2006) and Felipe Calderón (2006-2012), despite having more to show for less than two years in power than they had in six. It could also benefit the federally ruling Partido Revolucionario Institucional (PRI) in elections to renew the 500-seat lower chamber of congress next June and individual gubernatorial contests.

"The biggest project of recent years and one of the most important in the world," is how Peña Nieto described the new international airport, which will be located in Texcoco in the Estado de México, just 10km from the current Benito Juárez airport in the Distrito Federal (DF), over a 5,500-hectare plot of "federal lands". The planned new airport, which will create 160,000 jobs during the construction period, will dwarf the current airport in the DF, quadrupling its current capacity of 32m passengers a year. Benito Juárez is close to saturation, serving 31.5m passengers in 2013, with constant delays

**Trumpeting successes**

President Peña Nieto's 90-minute address contained a laundry list of achievements in the fight against crime and hunger, and even on the economic front. He said that 84 of the 122 most dangerous criminals had been arrested; the 'crusade against hunger' had reached 1,012 municipalities, 607 more than a year ago, meaning 3.1m Mexicans were now eating better; and, clutching at straws, that economic growth in the second quarter of 2014 was up 1.04% on the previous quarter, and as such was the highest rate in the Organisation for Economic Co-operation and Development (OECD).

incurred despite a second terminal being built in 2007. This terminal was only ever intended as a stopgap measure after a project to build a new airport in San Salvador Atenco was derailed by a peasant rebellion in 2002. Militants from Atenco's Frente de Pueblos por la Defensa de la Tierra (FPDT) clashed with the authorities in protest at the expropriation of 5,000 hectares of their land to build the airport, winning the active support of 'Subcomandante Marcos', the leader of the Ejército Zapatista de Liberación Nacional (EZLN). The airport project was abandoned by the Fox administration. The FPDT immediately responded to Peña Nieto's revival of the project by going on "alert" and promising a protest march on 8 September. "They say it will be on federal lands but it is all in the same area," the leader of the FPDT, Ignacio del Valle Medina, said.

Peña Nieto faced down long-running protests by Mexico's second largest teachers' union, Coordinadora Nacional de Trabajadores de la Educación (CNTE), in Mexico City this time last year (Rubén Núñez, the leader of the CNTE's combative 'Section 22', led a sparsely attended protest march to coincide with this year's Informe too). But protests in San Salvador Atenco would be a more sensitive issue for Peña Nieto, who was governor of the Estado in May 2006 when police repression of peasant protests in the town took place during which two people were killed and several women were raped.

Perhaps in an effort to offset renewed criticism of his lack of commitment to the poor and needy, Peña Nieto combined his announcement of the giant infrastructure plan with an overhaul of the social welfare programme 'Oportunidades', renamed 'Prospera'. In one of the few moments of self-criticism in a triumphalist address (*see sidebar*), Peña Nieto accepted that the proportion of Mexicans afflicted with poverty was the same as three decades ago. He said that while 'Oportunidades' benefits 6.1m families, almost 255,000 more than when he took office, and has a budget of M$73bn (US$5.58bn) this year, poverty still affects 53m Mexicans. 'Prospera' aims to go further. The children of poor families will now benefit from university grants and will be given priority in the job market. In addition, it will provide access to financial education, saving, insurance, credit and 15 productive programmes.

**Peña Nieto makes overtures to the Left**

President Peña Nieto was flanked by two congressmen from the left-wing Partido de la Revolución Democrática (PRD) throughout his address: Miguel Barbosa, the PRD coordinator, has just taken over as head of the senate; PRD Deputy Silvano Aureoles, head of the lower chamber. This is the first time since its formation in 1989 that the PRD has led both chambers of congress for one year.

Peña Nieto pointedly praised their election as a sign of the "maturity and democratic normality" that now exists in Mexico. His words were a significant gesture meant to signal that despite his party's authoritarian past he accepts and embraces political plurality.

PRI support for the election of the PRD congressmen is a calculated gamble. It could be a masterstroke. The hope is that the taste of real authority might actually pull the teeth of the PRD to some extent and encourage the party to cooperate more with the government. It could also backfire. The two men might use their positions to sound off against government plans they oppose and to try and advance initiatives inimical to the government.

It is worth noting that it was the antics of the PRD back in 2006, when they used chairs to block Fox's entrance into congress to deliver the Informe and the year after when Calderón was presvented from speaking, which put paid to the tradition of heads of state delivering the annual address in congress on 1 September. Now the interior minister hands over the report to congress. Miguel Ángel Osorio Chong duly did so this year, calling for cross-party "collaboration and coordination" to be "permanent", although elections next June will hinder this aspiration. Osorio Chong also announced a new bill for the protection of children in criminal cases, as well as reducing child labour and safeguarding the rights of migrant children, a particularly pertinent issue right now given tension with the US over the matter.

**VENEZUELA** | POLITICS

## The big shake-up that never was

**The *sacudón* (big shake-up) promised by President Nicolás Maduro two months ago was billed as ushering in a new stage of the revolution, sweeping aside inefficiency and reviving a listing economy. In the end there was not so much a shake-up as a barely noticeable tremor. The policies remain the same and the personnel were merely shuffled around, while preserving the delicate balance of power of the competing factions within the Bolivarian Revolution. In the time-honoured fashion of the late former president Hugo Chávez (1999-2013), Maduro's crisis-response consisted of creating a few new ministries and six new 'sectoral' vice-presidencies, strengthening the military's role in politics, and establishing a new recondite system of communal power to entrench the Revolution.**

President Maduro revealed the details of "a new stage of the revolution" on 2 September in a three-hour televised address. The brief of the planning minister, Ricardo Menéndez, last June was to subject the whole system of government to a rigorous performance appraisal and identify areas to overcome inefficiency. Maduro said the resulting study advocated "five revolutions within the revolution" to carry out "essential changes".

The 'five revolutions within the revolution' will focus on the economy; knowledge; social missions; State policy; and 'territorial socialism', which aims to consolidate communal (popular local) power, and create a new "eco-socialist model". For each of these there will be a vice-presidency with overall responsibility for a handful of ministries: Menéndez, for instance, will take over a new vice-presidency of planning and knowledge. There will also be a sixth vice-presidency of food security and sovereignty.

Rumours that the president of the national assembly, Diosdado Cabello, might be brought into the cabinet proved unfounded (Cabello was never likely to accept playing second fiddle to Maduro when he can watch from a safe distance and bide his time). Indeed, it was more a case of reshuffling existing ministers rather than bringing in new faces, and creating some increasingly bombastic job titles. Perhaps the standout example of this was the removal of the foreign minister, Elías Jaua, to become the head of a ministry for communes and social movements, as well as the new vice-president for the development of territorial socialism.

Jaua's remit is to provide more support to the communes and oversee the formation of new 'presidential councils of popular power' for communes, workers, women, youth and culture, whose members will be elected over the course of the next two months. Maduro said he dreamt of these councils, which look designed to undercut the powers of local government, one day gaining constitutional rank.

### Ramírez removed

The most eye-catching announcement was the removal of Rafael Ramírez, the economic czar, head of the state oil company Pdvsa and long-serving oil and mines minister. Ramírez was kept on in the cabinet, taking over from Jaua as foreign minister and also becoming the new vice-president of political sovereignty in charge of State reform to "sweep away the last vestiges of the bourgeois state and make the Revolution irreversible".

One of Ramírez's acolytes, Eulogio del Pino, takes over at Pdvsa, while the oil and mines ministry goes to Asdrúbal Chávez, a cousin of Hugo Chávez

**Layers of bureaucracy**

The crowning irony of the *sacudón* was the decision to clamp down on bureaucracy by creating another layer of bureaucracy. President Maduro announced the creation of a new ministry, named the 'national permits and procedures authority', to be headed by Dante Rivas, who had been serving as the commerce minister. Maduro said the new ministry would "deliver a blow to bureaucracy, corruption and inefficiency" and would "simplify administrative processes, and reorganise studies and bureaucratic models".

**Reaction to the *sacudón***

The opposition figurehead and governor of the state of Miranda, Henrique Capriles Radonski, reacted to President Maduro's *sacudón* with scepticism: "Yesterday we saw the same faces changing seats. But moving one minister from one place and putting them in another will not resolve this; the *sacudón* should translate into a change of model," Capriles said. Meanwhile, Stalin Pérez Borges, the spokesman for the radical leftist group Marea Roja adopted an air of persiflage on the increasingly critical pro-Chavista website *Aporrea.org,* in a piece entitled 'the announcements announced to us, had they not already been announced?'

(Chávez's daughter, María Gabriela Chávez, was appointed Venezuela's alternate ambassador to the United Nations [UN] last month), and Brigadier General Rodolfo Marco Torres, the economy and finance minister, becomes vice-president of economy and finance, which groups together six ministries.

The promotion of Torres further consolidates the political power of the military, which will now hold sway over much of the cabinet, especially the economic side. Air Force Major General Giuseppe Yoffreda becomes water & air transport minister, while retaining the position he picked up last May at the head of the foreign trade corporation (Corpovex), which was created earlier in the year, with responsibility for controlling key imports and non-oil exports. Lieutenant Colonel Yván José Bello becomes food minister, having been serving as president of the nationwide food supply and distribution network (Pdval) set up to combat food hoarding and speculation. The military also controls numerous state agencies and around half of the state governorships.

A bit more ministerial reshuffling aside, this was the extent of the changes. There was no discernible plan to revive the economy; no economic policy adjustments; no mention of unifying Venezuela's distorted exchange rate system; no increase in petrol prices. It could be that the policy paralysis can be attributed to Maduro's lack of courage to take meaningful action, which will bite, ahead of legislative elections next year; or it could be that Maduro can simply no longer see the wood for the trees.

**The new cabinet hierarchy**

Executive Vice-president *Jorge Arreaza*
***Vice-president of economy and finance *Rodolfo Marcos Torres***
Finance and Economy *Marcos Torres*
*Oil and Mining *Asdrúbal Chávez*
*Commerce *Isabel Delgado*
Industry *José David Cabello*
Tourism *Andrés Izarra*
*Water and Air Transport *Giuseppe Yoffreda*
***Vice-president of Security and Food Sovereignty *Yván Gil***
*Land and Agriculture *José Luis Berroterán*
*Food *Iván José Bello*
***Vice-president of Planning and Knowledge *Ricardo Menéndez***
*Higher Education, Science and Technology *Manuel Fernández*
*Culture *Reinaldo Iturriza*
Education *Héctor Rodríguez*
**Vice President of Social Development and Missions *Héctor Rodríguez***
Youth and Sports *Antonio Álvarez*
Indigenous Peoples *Aloha Núñez*
Labour and social security *Jesús Martínez*
Women *Andreína Tarazón*
Prisons *Iris Varela*
*Health *Nancy Pérez*
***Vice-president of Political Sovereignty *Rafael Ramírez***
Foreign Affairs *Rafael Ramírez*
Minister of the Presidency and Public Management *Carlos Osorio*
Communications *Delcy Rodríguez*
Interior Affairs, Justice, and Peace *Miguel Rodríguez Torres*
Defence *Carmen Meléndez*
***Vice-president of Development of Territorial Socialism *Elías Jaua***
*Communes and Social Movements *Elías Jaua*
*Housing, Habitat and Eco-socialism *Ricardo Molina*
*Ground Transport and Public Works *Haiman el Troudi*
Electricity *Jesse Chacón*
*National permits and procedures authority *Dante Rivas*

*Denotes new minister; others were ratified in their positions.

## Morales shows his conciliatory side

**The Movimiento al Socialismo (MAS) government led by President Evo Morales is trumpeting recent progress regarding negotiations with foreign companies over State takeovers. The agreements come at a key point for the government – as it is lauding the results of its nationalisation policy, ahead of the 12 October general elections.**

On 21 August the Morales government announced a deal with Argentina-based Pan American Energy (PAE) over the State's 2009 seizure of PAE's 51% stake in Empresa Petrolera Chaco SA, which went to state energy company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) (which already controlled 49%). In 2010, PAE brought a claim before the World Bank's International Center for Settlement of Investment Disputes (Icsid), demanding US$1.49bn in compensation and damages. On 24 August Héctor Arce, Bolivia's attorney general, said the State's pay-out would be "less than a quarter" of the amount PAE demanded.

Four days later Arce announced that the government had reached the "principle of an agreement" with Spain's Red Eléctrica Española (REE), in relation to another nationalisation – the May 2012 seizure of Bolivia's electricity transmission company, Transportadora de Electricidad (TDE), from the REE subsidiary Red Eléctrica Internacional SAU. In an interview with the State TV programme El Pueblo es Noticia, Arce said that a deal had been reached "a month ago" in Spain with the Spanish company that would allow for a final agreement.

Less amicable however has been the case with Indian company Jindal Steel & Power in relation to the government's cancellation in July 2012 of the US$2.1bn contract for the Mutún iron ore mine to develop 50% of the mine, which is located in the eastern Santa Cruz region – the biggest single investment in Bolivia to date. The other 50% was to be developed by the State mining company, Empresa Siderúrgica del Mutún (ESM). On 6 August, the Paris-based International Chamber of Commerce (ICC), ordered the Morales government to pay Jindal US$22.5m – the US$18m demanded by Jindal plus interest.

According to a 23 August press release by Jindal, the ICC tribunal agreed that the El Mutún project was impeded because, among other things, "Jindal never received access to lands where the project was to be developed, contrary to the contract, and Jindal bank guarantees amounting to US$18 million were wrongly encashed". On 26 August, however, Bolivia's mining minister, César Navarro, announced that the government would appeal the ruling.

### Benefits

The government continues to highlight the benefits of nationalisation ahead of the October vote. On 27 August Economy Minister Arce announced a 10% salary rise for employees from nine designated strategic state companies. The increase, which is retroactive as of 1 January 2014, will be funded from the companies' profits (*see sidebar*).

The same day President Morales promulgated a law authorising a December annual bonus (aguinaldo) for those over the age of 60. Funding for the aguinaldo will come from hydrocarbon revenues via the Impuesto Directo a los Hidrocarburos (IDH), introduced following Morales' nationalisation of the hydrocarbons sector in 2006 – the year he took office.

The annual aguinaldo for senior citizens is in addition to the government's Renta Dignidad (a universal scheme for Bolivians over 60 that provides monthly payments of B$200/US$29 to those with a pension and B$250/US$36 to those without) – one of the various schemes funded by hydrocarbons revenue which have underpinned Morales' popularity.

**Beneficiaries**

Beneficiaries of the 10% salary increase include workers from the state oil company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB); the electricity company Empresa Nacional de Electricidad (Ende); the food company Empresa de Apoyo a la Producción de Alimentos (Emapa); the TV company Bolivia Tv; the customs agency Depósitos Aduaneros Bolivianos (DAB); and the State mining company Corporación Minera de Bolivia (Comibol, comprising Empresa Minera Colquiri, Empresa Minera Corocoro and Empresa Metalúrgica Vinto).

## TRACKING TRENDS

BOLIVIA | **Growth.** Bolivia posted real annual GDP growth of "more than 5%" in the first eight months of 2014, with 5.7% growth forecast for the year, Economy & Finance Minister Luis Arce told reporters on 27 August. This forecast is also in line with that of the State budget for 2014.

The most recent (4 August) report by the United Nations (UN) Economic Commission for Latin America and the Caribbean (Eclac) forecasts growth of 5.5% for Bolivia for 2014, second only to Panama (6.7%) in the whole of Latin America & the Caribbean. In 2013 the Bolivian economy expanded at a historic rate of 6.8%, the highest seen in 38 years.

PERU | **Mega-port project in Lima region.** On 30 August Peru's defence minister, Pedro Cateriano, along with Culture Minister Diana Alvarez and the general commander of Peru's navy, Carlos Tejada, inspected the State lands where a new US$2.8bn port complex is to be built. The site of the proposed project, which will consist of 10 fully equipped piers and a separate logistics zone, is located in the municipality of Chacay, Lima region, some 78km north of Lima.

Construction of the new port is expected to help reduce Peru's port infrastructure deficit. The multipurpose facility will mainly handle mineral exports but the hope is that it can also lead to the creation of a commercial and industrial hub. The work will be funded by private sector investment, with local firm, Terminales Portuarios Chancay, being awarded the concession to build and operate the new port.

Following the site visit, the defence ministry issued a statement saying that "as has occurred in other successful cases, this strategic alliance between the State and the private sector seeks the concession of State properties to promote wealth and generate revenue for the government to consolidate the policy of social inclusion", the watchword of the government led by President Ollanta Humala. The statement also says that measures will be taken to protect the environment and cultural heritage sites in the area.

However, the project has not been welcomed by everybody in Chancay as local organisations, led by the Asociación de Pescadores Virgen de la Covadonga fishermen's association, have staged demonstrations in opposition to the project. The Chancay bay area is an old fishing ground that has long been exploited by members of the local community as well as the Pesquera Némesis local fishing company. Opponents of the port project have already presented complaints to the transport & communications ministry about the dangers that it poses to artisanal fishing in the area as well as to the nearby Santa Rosa wetlands ecosystem.

COLOMBIA | **New free trade zone.** On 1 September the CEO of Uruguayan firm, Zonamérica, Jaime Miller, announced plans to build a replica of its Montevideo Free Trade Zone (FTZ) in Colombia's south-western city of Cali. The plans involve the construction of a 38-hectare complex with offices and warehouses in a US$350m investment. Miller said the new business and technology park will target untapped markets in Central America, Mexico and the US west coast (*see sidebar*).

Zonamérica says that it expects to attract "global services" firms to the FTZ such as software development, administrative outsourcing and other service providers. Miller also revealed that Zonamérica decided to go to Colombia after establishing a "key" partnership with local management firm, Carvajal S.A., which Zonamérica said is familiar with the local market and has experience in the technology sector.

Zonamérica director, Martín Dovat, explained that the FTZ will follow a strict "lease regime" business model for interested businesses and that works are expected to begin at the end of this year or the start of 2015. The Zonamérica executives also indicated that they have already secured permission from Colombia's national tax & customs directorate (Dian), to operate in the area for a 30-year period, which can be extended.

**Zonamérica**

Ultimately Zonamérica hopes to build 173,000 square metres of office space with the capacity to accommodate 17,000 people, almost double the size of the Montevideo FTZ. The Montevideo FTZ currently houses 350 businesses and employs 10,000 people; and it has achieved substantial success in attracting services, logistics, finance and consultancy and biotechnology firms among others.

**BRAZIL** | ECONOMY

## Recession confirmed, but political impact limited

**By generally agreed convention, a recession is two quarters of negative growth. As such, the news from the national statistics institute, Ibge, that Brazil's economy shrank by 0.6% quarter-on-quarter, following a first quarter contraction of 0.2%, means that the country is in technical recession. However Guido Mantega, the finance minister, refuses to accept the term. "Recession is when unemployment increases and profits fall," he said. While many economists would disagree with Mantega's definition, it hints at the fact the recession may prove less politically toxic than the government's foes might like.**

Investment, down 5.3% quarter-on-quarter, accounted for the bulk of the contraction in GDP. On the output side, every sector contracted with the exception of agriculture, which was up 0.2%. Civil construction and manufacturing showed some of the sharpest declines. Household consumption, still sustained by increases in wages, rose 0.3%.

Though Mantega refused to accept the term "recession", he did acknowledge that the government's official 2014 annual GDP growth forecast of 1.8% would no longer be achievable and will be revised down in September's draft budget proposal. The finance minister also acknowledged that the 2014 primary surplus target of 1.9% of GDP will also be reduced, as tax revenues fall away on the back of lower economic activity and an array of government breaks for the key industrial sector and employers. Mantega insisted that the economy would grow by 3% in 2015; a projection dismissed by most analysts who expect recovery to be slow.

### Political impact

Arguably, the political impact of the latest figures will be minimal. In many ways the economy's sluggish performance has already been factored into the race and the mere fact of it entering into technical recession may not move many voters' minds. Although consumer confidence has ebbed over the past year, with unemployment at a historic low of 4.9% and wages rising, much of the electorate is not yet feeling the pinch.

Both Marina Silva, from the centre-left Partido Socialista Brasileiro (PSB), and Aécio Neves, from the centre-right Partido da Social Democracia Brasileira (PSDB), have repeatedly questioned President Dilma Rousseff's reputation for economic competence in the past two televised presidential debates. Neves and his supporters have been tireless in repeating the argument that Rousseff's government is too clumsily interventionist. On 1 September Silva used her first question to ask Rousseff, "what happened to the government's promise to maintain growth, keep interest rates low and control inflation?"

The president's response boils down to the argument that it could be much worse. By repeating the line that Brazil has escaped the worst of the global slowdown, and pointing to the historic levels of employment, Rousseff is able to take some of the sting out of their attacks. Her party, the Partido dos Trabalhadores (PT), is also running a fairly negative campaign, warning the electorate that they stand to lose the PT's flagship social programmes should they vote in the opposition.

Meanwhile, the Bovespa, Brazil's stock index, continues to perform well on the expectation of a change in government. On 29 August, it reached a 20-

**Identity politics**

This year's elections are the first in which the candidates' racial identities have been made available to the electorate. According to the country's top electoral court, the TSE, 55.03% of the 25,366 Brazilians running for office in October describe themselves as white; 35% are 'pardo' (mixed-race); 9.24% are black; and indigenous candidates make up 0.32% of the total, or 85 candidates across the country. By these figures, whites are overrepresented in the political process. The 2010 census found that just 47.7% of the population of Brazil is white; 43.1% 'pardo' and 7.6% black. The country's population of 817,000 indigenous people constitutes under 0.4% of the total.

month high, as investors purchase "election kits": stocks in utility companies or state firms, which are expected to do well in the event of a handover. Interestingly, Silva, who the opinion polls are currently showing would beat Rousseff in the first round, is not scaring the markets, despite her opponents' attempts to paint her as a "fundamentalist" on matters relating to the environment and religion. Having learnt from former president Lula da Silva (2003-2010), the PSB candidate has assembled an orthodox team of economic advisers, including Neca Setubal, a leading shareholder in Itaú bank, who are working hard to court investors (*see below*).

**Silva under scrutiny**

At present, Silva is proving successful at portraying herself as all things to all voters. But with the PT dominating the TV and radio airtime allocated to political campaigns, Silva will find herself facing relentless scrutiny of some of the contradictions in her positions over the coming weeks.

### The multifaceted Marina Silva

Just over a month to go until the presidential election and on current trends Marina Silva is on course for victory in a second-round run-off against President Rousseff. With the last three opinion polls confirming her status as the candidate to beat, rumours – hastily denied – have begun to swirl that the PSDB's Aécio Neves, may step down to allow Silva the chance to win outright in the first round.

As Silva's poll position has strengthened, however, the candidate has come under increased scrutiny. In the presidential debates she has drawn fire from both Rousseff and Neves, both of whom accuse her of making uncosted promises and lacking executive experience. In the latest debate, on 1 September, Rousseff asked Silva how she intended to raise the R$140bn (US$62bn) she needed to deliver on her funding commitments in health, education and transport. Silva could not give a direct answer to the question.

Similarly, Rousseff sought to exploit the uncertainty inherent in Silva's pledge to engage in "new politics". While former president Lula da Silva, another mould-breaking politician, spent decades building up the PT and enjoyed the deal-making necessary to force legislation through congress, Silva is essentially riding on the coat-tails of the PSB, having failed to register her own political party, the Rede Sustentabilidade. Though the horse-trading of the PT may be unpleasant on close inspection (Rousseff recently ditched a cabinet minister in exchange for one more minute of election campaign airtime), it has proved effective.

Rousseff has questioned the lack of detail on who Silva would work with, mocking her desire to work with a "government of all the talents", including Lula and former president Fernando Henrique Cardoso (1995-2003). Neves has even gone so far as to name his finance minister - Arminio Fraga – in an attempt to put flesh on his policies. In his public statements, there has been little indication from Neves that he plans to quit to back Silva, as he continues to describe her as a "risk" for Brazil. Meanwhile, all Silva will say about her "new politics" is that rather than forming the kind of monolithic coalition the PT specialises in, she will put together rolling, changeable alliances of different interest groups.

Using the power of her position, Rousseff has also attempt to chisel away at Silva's support. A prominent evangelist, Silva has attracted support from some key neo-pentecostal leaders. Now Rousseff is attempting to court their vote, by rushing through legislation to grant tax breaks to evangelical churches. At the same time, she has highlighted Silva's apparent flip-flopping on LGBT issues (support for a law criminalising homophobia was "accidentally" dropped from her campaign programme).

Yet, despite these attacks, investor confidence appears to grow with every opinion poll published that predicts a Silva victory. In part, that is because she has a number of orthodox economists, including her ex-PSDB campaign manager, Walter Feldman, charming the bankers on her behalf, taking a leaf from Lula's 2002 playbook. It is also because she is the only candidate promising complete independence to the central bank, an idea warmly received by the financial community. Despite her previous reputation as an environmentalist, Silva's vice-presidential candidate, Beto Albuquerque has worked hard to reassure agribusiness that a Silva government would not harm the industry.

## Venezuelan economics

**While the stand-off between the government in Buenos Aires, its holdout creditors and the US legal system continues, the Argentine congress has been busy. Currently, the senate is discussing amendments to a package of three bills ostensibly designed to grant greater protection to consumers, and a separate piece of legislation that aims to allow Argentina to service its debts outside of the US's jurisdiction.**

### 'Protecting the weak"

The three consumer-protection bills currently working their way through the upper house are of varying degrees of controversy. The first simply creates a consumer mediation mechanism, a judicial forum to resolve conflicts in the retail sector. But the other bills, one to establish a goods and services observatory (allowing the prices of supplies, goods and services to be regulated by federal ministries) and the other, the 'ley de abastecimiento', or 'supply law', are being fiercely resisted.

The supply law would give the trade ministry a broader mandate and would grant more powers to governors, who would be allowed to establish maximum prices for goods. Local and federal authorities would be authorised to seize and sell goods and services without following the current expropriation process.

"Sergio Massa, the former Kirchnerista turned leader of the opposition Frente Renovador, said the bills 'haven't been thought through for a country like Argentina since they are a copy of a Venezuelan measure.'"

The bill stipulates that if necessary the State would have the power to intervene in economic processes of any company to determine production volumes, profit margins and price levels (maximum, minimum and reference prices). The state would be able to manage purchases and sales of companies indirectly; it would also have the power to seize company documentation.

Companies deemed in breach of the law would have to pay a fine immediately and then sue to have the money refunded, inverting the current standard. Fines would have an Arg$10m (US$1.19m) ceiling, instead of the current Arg$1m. The Unión Industrial Argentina (UIA), the leading industrial employer federation in the country, has already said it will seek legal action if the law is passed, as expected in the government-dominated senate.

The opposition mayor of the city of Buenos Aires, Mauricio Macri, has been one of the main opposition voices against the bills, saying they "frighten" business leaders and warning that "there will be no investment and more unemployment" if the measures become law.

Sergio Massa, the former Kirchnerista turned leader of the opposition Frente Renovador, said the bills "haven't been thought through for a country like Argentina since they are a copy of a Venezuelan measure."

Julián Alvarez, the Argentine justice minister, accused opponents of scaremongering. "Some are trying to frighten people saying that the State intervention will produce problems in the economy," he said. "Everybody should keep calm, because with these new projects the state will not only define its role to prevent entrepreneurs' abuses, but will also provide the tools to consumers so they can make the claims they deem necessary."

### Debt jurisdiction bill

Congress has also been discussing a bill aimed at circumventing the US court decision to block government payments to exchange creditors (those who accepted previous debt write-downs). The proposed law states that foreign debt can be paid through intermediaries outside of the US. It would replace the Bank of New York Mellon (BNYM) as the processing agent for the Banco Nación in Buenos Aires. The bill is expected to become law before 30 September, the date by which the next interest payment on the bonds is due.

Argentine officials are currently mulling over options for where to issue sovereign bonds and pay creditors. France has been posited as a possible location; on 3 September the former president of the central bank, Aldo Pignanelli, suggested Uruguay, given its supreme court recently ruled that the payment of sovereign bonds cannot be seized there.

**To China, with love**

Shut-out from Western money markets, a high-level Argentine delegation headed to China this week in the hope of attracting investment in several public works including two dams and a nuclear power plant. Axel Kicillof, the economy minister, Julio de Vido, the planning minister, and the CEO of YPF, the state oil firm, Miguel Galuccio are currently in Beijing talking to ministers. China, however, is wary of Argentina's credit rating: its Dagong ratings agency followed its Western counterparts in declaring Argentina in default following Judge Thomas Griesa's ruling.

## TRACKING TRENDS

CHILE | **Stimulus package unveiled.** President Michelle Bachelet this week announced an additional US$500m in public investment over the last four months of the year in order to revive the flagging domestic economy. Half of this total will come from state coffers, and the rest from the fiscal reform bill being debated by congress.

The plan aims to "strengthen and invigorate public investment in the four months that remain in this year", Bachelet said. A total of US$350m has been earmarked for small and medium sized enterprises (SMEs) over the next four months.

The Bachelet administration had already recently announced a US$28bn public works infrastructure plan; a US$4bn capitalisation plan for the state-owned mining company, Codelco, for the 2014-2018 period; the US$500m capitalisation of the national bank, BancoEstado, and of its SMEs fund (Fogape).

Chile's economy posted real annual growth of 1.9% in the second quarter, its worst performance since the third quarter of 2009.

CHILE | **Tourism fund.** On 1 September Chile's economy, development & tourism minister, Luis Felipe Céspedes, announced the creation of a new national tourism development fund (Fondo Nacional para el Fomento del Turismo), which is to receive US$100m in funds over the next four years to help boost the sector.

Céspedes's announcement came during the XXXVI annual congress of the national association of tourism companies (Achet), held in the northern city of Iquique, Tarapacá Region. At the congress Achet president Guillermo Correa appealed for the authorities and business leaders to reach a consensus over how to invigorate the domestic tourism sector.

Despite experiencing continuous growth in recent years to the point that it now generates US$10bn in annual revenue, its output is still well below the Latin American regional average.

Céspedes agreed with Correa that the local tourism industry has the capacity to help revert Chile's economic slowdown and that the country should consider relying on this sector to overcome the current fall in economic activity. The national statistics institute (INE) recently highlighted that growth in the domestic economy's service sector was driven by increased activity in hotels and restaurants and travel agencies, which increased by 12.8% and 9.9% respectively between April and June this year.

According to Céspedes, the new fund will be used to help "develop a strategy that boosts the industry and transforms our touristic destinations into global attractions". He proposed that the fund should be used to develop medium-term plans to turn Chile's tourism sector into a "strategic sector on a world level" in the next 10 to 15 years.

During the congress, private sector leaders also discussed the deputy tourism ministry's working plan for the 2014-2017 period. In particular, congress attendees were interested in hearing how the deputy ministry intends to allocate the US$100m recently destined to shore up the Plan de Desarrollo Turístico de Chile.

Deputy tourism minister Javiera Montes said that the funds would be spent on development of public infrastructure; professional training; the development of tourist destinations; and, particularly, international promotion, an area where Chile currently spends around half of the resources of its northern neighbour Peru.

**COSTA RICA** | POLITICS

## Solís's sincerity complicates task ahead

**President Luis Guillermo Solís painted a bleak picture of institutional breakdown, corruption and inefficiency in Costa Rica during a speech on 28 August to mark the completion of his first 100 days in office. Solís, of the centre-left Partido Acción Ciudadana (PAC), delivered a decidedly downbeat address which focused far less on his achievements to date than on the problems he inherited and the scale of the challenge he faces to remedy them. The difficulty he faces is that he lacks firm allies in the 57-seat legislative assembly, where the PAC controls a mere 13 seats and is itself divided, with party founder Ottón Solís launching some withering attacks on his namesake.**

"We are realistic. The challenge is enormous," President Solís said, after maintaining that the country was "sinking into a spiral of corruption and inefficiency". Addressing an audience of some 1,000 people drawn from civil society and various political parties, Solís said the disorder was "unimaginable" – "inefficiency, intolerable, irresponsibility […] In important sectors of the Costa Rican State the prostration is total. There are many institutions that have completely lost their way".

Solís did not specifically mention the traditional Partido Liberación Nacional (PLN), which ran the previous administration, or any party for that matter but he did say that "we have been governed irresponsibly, and many times, in different ways, those governing broke the law and constitution." He also maintained that official corruption over the past 15 years had cost the country ₡$60.1bn (US$111m).

Solís went on to call for a dialogue with all the country's political parties later this month to discuss government proposals to clear the way for legislation to improve the State administration. He called for "patriotism" to triumph over "vanity and intransigence". The trouble is neither the PLN nor the Partido Unidad Social Cristiana (PUSC), the two parties which have vied for power in Costa Rica over the years and have a much stronger presence in the legislative assembly than the PAC, took kindly to the public dressing down by Solís. Indeed, the PLN was responsible for Solís having to deliver his address from a theatre in San José rather than the legislative assembly as he had intended.

Divisions within the PAC itself also served notice of the difficulties ahead for Solís to advance his government's agenda in a deeply fragmented legislature. Ottón Solís has caused President Solís difficulties by demanding that the deputy minister for the presidency, Daniel Soley, be dismissed for using his position to benefit family businesses. Ottón Solís has also criticised the performance of the cabinet chief, Melvin Jiménez, a Lutheran bishop acting as the go-between the executive and the legislature. President Solís has instructed Jiménez to extend the invitation to the heads of all the parties in the legislative assembly and legislative committees to attend the proposed talks later this month.

Only the left-wing Frente Amplio (FA) of José María Villalta, which controls nine seats in the assembly, has been publicly approving of Jiménez. Villalta also penned a piece for the local tabloid *Diario Extra* supporting President Solís by arguing that straightening things out was "a titanic task that could not be undertaken in 100 or even 1,000 days; probably not even in four years". But Solís raised high expectations after he broke Costa Rica's political duopoly by becoming the first leader of a leftist party to come to power in the country, and public patience will begin to wear thin unless he comes up with some clear ideas for ushering in the change he promised.

**Fiscal reform**

President Solís remains adamant that discussion of the thorniest issue in Costa Rica, fiscal reform, will not take place until the second half of his mandate. The fact that the fiscal deficit is projected to reach 6% of GDP in 2014, up from 5.4% last year, has led to criticism from the private sector that procrastination is not an acceptable response. In the absence of a comprehensive fiscal reform, Solís has come out with piecemeal measures to chip away at the deficit, such as a freeze on public sector hiring.

## Flatscreen TVs suddenly got a lot dearer

**New import restrictions issued by Cuban customs authorities on 30 June took effect on 1 September. Resolution 206 (2014) imposes strict limits on the amounts of some 381 products that can be brought into the country (by air, mail or sea) and declared for personal use at customs. These include a whole host of electronic goods including TVs, mobile phones, personal computers, keyboards and mice, routers and wireless equipment and walkie-talkies, among other things; as well as an equally mind-boggling list of heavier equipment like car tyres, work tools and a variety of large household items, as well as hundreds of basic consumer essentials like food, clothing, shoes and toiletries.**

A second complementary measure (resolution 207, 2014) also levies higher duties on items above and beyond the existing free personal luggage allowance of 25kgs. Another 100kgs is allowed per person, subject to payment of (now higher) import duties. The new rules also bar passengers from bringing in items worth more than US$1,000, not by requesting receipts for the incoming items, but by assigning a list of the most common items with specific set values that customs will use as a check.

By assigning items higher set values than they might typically be sold for in Miami, the authorities will be able to deter such imports. For what the cash-strapped Cuban government would prefer is for Miami relatives to remit cash instead to their Cuban family members, which is a vital (and heavily taxed) source of foreign exchange for the authorities. Also, by deterring personal goods imports – often destined for the thriving local black market – the government might hope to encourage sales at the official state-run stores – albeit the fundamental problem is that these (monopoly) stores are completely understocked with nothing like the variety (or quality) of goods available over the water in Miami.

The latest rules are indicative of the ongoing difficulties the authorities are having in controlling the economic reform process launched by President Raúl Castro in 2008, which has created a flourishing black market on the ground and growing social gaps between 'haves' and 'have-nots'. The Cuban government has been issuing strong warnings that people (or 'mules') bringing in "excess goods" for "commercialisation" (i.e. sale) could face criminal proceedings, while at the same time reassuring normal travellers that they will not be punished (although clearly the restrictions will hit the majority of people arriving home laden with goods not for the black market but for themselves).

Cubans (or their relatives) brought in some US$2.0bn worth of goods last year, with the average airline passenger bringing in items valued at about US$3,500, according to a survey by the Havana Consulting Group that was widely quoted by international media this week (*see sidebar*).

For Cuba's self-employed sector (known as *cuentapropistas*) the impact could be severe, as in the continued absence of a domestic wholesale market they are forced to source their inputs from the state-run retail stores, which inevitably becomes prohibitive given the extortionate sales tax rates. Small restaurant and bed & breakfast owners, and the likes of neighbourhood beauty parlours, have all relied heavily on supplies from Miami and elsewhere. The government's all-too tentative approach to these entrepreneurs, with its overbearing bureaucracy, high taxes and failure to provide them with the inputs they need, means that in order to survive there simply is no alternative but the illegal black market.

### Sustenance

The Havana Consulting Group reportedly estimated that about 60% of the items brought in by Cubans (or their relatives) were destined for families and 40% for the local black market. Emilio Morales, the president of the firm, described the trade as "sustenance...that greatly aids the survival of the Cuban family".

## Gang truce redux as homicides spike

**Homicides in the first eight months of 2014 have already surpassed the figure for the whole of last year, the national police (PNC) revealed on 1 September. The alarming figures were released two days after a joint press release by El Salvador's main street gangs, Mara Salvatrucha (MS-13) and Mara-18 (M-18), announcing a new truce, as of 24 August, aimed at reducing escalating homicide rates in the country. The average homicide rate on a daily basis currently stands at 11 per day compared with the five to eight murders per day registered last year when the original truce was in place.**

The PNC revealed that there had been 2,533 homicides in the year to 31 August, already 42 more than the total number for 2013. The new truce aims to pick up from where the original truce, struck in March 2012, left off. This saw homicide rates plummet almost immediately by some 50%. However, the original truce unravelled earlier this year with as many as 30 reported homicides in just one day in late February.

The new truce maintains the terms of the original which include the cessation of hostilities between gang members and "action" against family members and the police. The *mara* gang leaders also promised to stop "forced recruitment" and "all forms of harassment" in schools, as well as guaranteeing free movement of aid and medical groups in gang-controlled areas.

On 25 August the Roman Catholic Church and the leaders of eight other ecclesiastical denominations in the country urged a three-way dialogue between the churches, gangs and civil society in order to seek an "understanding" for a reduction in the levels of violence and homicides. Along with the two mediators of the 'failed' gang truce—Raúl Mijango, a former deputy for the ruling Frente Farabundo Martí para la Liberación Nacional (FMLN), and Fabio Colindres, a Roman Catholic Bishop—they first presented the so-called Iniciativa Pastoral por la Vida y por la Paz peace proposal to the incoming FMLN government of Salvador Sánchez Cerén last April. They are stressing that it would not require the government to negotiate directly with the gangs, but merely to comply with the gangs' wishes to have the space and facilities in order to hold talks.

### Sánchez Cerén stays mute

President Sánchez Cerén is yet to respond to the proposal. Sánchez Cerén made absolutely no mention of the truce when, in mid-July, he outlined his 'holistic' security plan based on five pillars: prevention of violence and delinquency; control and repression of crime and violence, rehabilitation and social reinsertion; attention for victims; and strengthening public security institutions. His predecessor, Mauricio Funes (2009-2014), distanced himself from the original truce in the face of public disillusionment with the lack of any progress in reducing crimes like extortion, particularly the coercion of families into giving the gangs money.

Sánchez Cerén's reluctance to commit to the truce also coincides with the publication of a poll by the national daily *La Prensa Gráfica* on 2 September (*see sidebar*) showing that 47% of respondents disapprove of "some" or "a lot" of the work he has carried out in his first three months as president since taking office on 1 June as opposed to 40% who approve of it. This is significantly lower than the approval ratings of his two immediate predecessors at the same stage of their mandates: 74% for Tony Saca (2004-2009) of the right-wing Alianza Republicana Nacionalista (Arena); and 71% for Funes.

**Public security**

The poll by *La Prensa Gráfica* also reports that 69% of respondents consider El Salvador is on the wrong path, and just 13.3% on the correct one, while 64.3% feel that President Sánchez Cerén is not helping to resolve rising homicide rates and security. Public security will be an issue in the March 2015 municipal elections. This is particularly the case in San Salvador where gang-related homicides are a huge problem. Nayib Bukele (FMLN), the current mayor of Nuevo Cuscatlán, in the department of La Libertad, will stand against the incumbent mayor, Norman Quijano (Arena), in San Salvador.

## And so it begins...

**Panama's 71-member unicameral legislature recently approved a resolution calling for the supreme court of justice (CSJ) to remove Comptroller General Gioconda Torres de Bianchini, a close ally of former President Ricardo Martinelli (2009-2014). The move against Torres, whose four-year term is due to end in December 2014, follows her recent appearance before the legislature where she was called to testify in relation to various corruption concerns surrounding the previous administration. As well as illustrating that the legislative arrangement between President Juan Carlos Varela's Partido Panameñista (PPA) and the opposition Partido Revolucionario Democrático (PRD) [WR-14-26] appears to be working, the move against Torres shows that Varela is intent on making good the now familiar pledge upon taking office in Panama – to tackle official corruption.**

International concerns surrounding alleged corruption in relation to the previous Martinelli government had emerged in reports like the World Economic Forum (WEF)'s 2013-2014 Global Competitiveness Report, which, while otherwise positive on Panama, noted that the country faces important challenges in terms of "strengthening the functioning of its institutions, fighting corruption and crime […] and the independence of the judiciary system". The latest (December 2013) report by the NGO Transparency International also noted that Panama registered the biggest decline of any of its Central American neighbours in 2013 in its corruption index, dropping 19 places, to finish 102nd, scoring 35 points, down from 83rd in 2012.

On 19 and 20 August Torres, who served as auditor for Martinelli's company Importadora Ricamar for 15 years prior to taking up her current post, was called to testify before congress. One of the main cases on which she was questioned was that involving the contracts awarded in 2010 to Finmeccanica, the Italian state-run aerospace and defence conglomerate, for the purchase of radar installations, helicopters and digital mapping services. The case had caused major embarrassment for the Martinelli administration following the arrest in April 2012 of Valter Lavitola, a former aide to the disgraced former Italian prime minister, Silvio Berlusconi [WR-12-26].

Lavitola, who is currently on trial in Italy in relation to various charges, is accused of acting as a middleman for the delivery of bribes by an Italian company to governments in Latin America, including Panama. Both the Panamanian and Italian press suggest that the contracts were inflated and that Lavitola, who reportedly played a "fixer" role in the talks, received kickbacks, some of which went on bribes to local officials – including Martinelli. Five days before Torres' first appearance before congress, a top anti-corruption prosecutor, Lorena Coronel, announced the investigation into the case would be reopened.

Following the move against Torres, whose resignation is also a demand of civil society groups like Alianza Ciudadana Pro Justicia, the case now goes before the CSJ justices, five of whom were Martinelli appointees. While it remains to be seen whether the court will comply with the legislature's resolution, the potential clash between the different branches of government is likely to subject the independence of the various institutions to further scrutiny.

There have been other signs of President Varela's intent to tackle alleged unlawful behaviour which took place under his predecessor. On 13 August, the electoral tribunal (TE) began investigating 47 public agencies (out of a total 82) for violating the laws against excessive electoral advertising ahead of the May 2014 general election. These institutions include the national assembly, the Panama City mayoralty, nine ministries, and the national police among others, although 11 of these agencies have since been exonerated.

**Key electoral pledge**

On 24 August President Juan Carlos Varela cited figures from the economy & finance ministry (MEF) which showed that the price of the monthly basic food basket (Canasta Básica Familiar de Alimentos, CBFA) in July 2014 was US$318.48 – a fall of 7.7% on June 2014. In a press release the MEF claims this is the most significant decline in the last 10 years. President Varela's first act upon taking office on 1 July was to announce temporary 'emergency' price controls on 22 basic goods in order to reduce inflation. While year-end inflation was 3.4% in 2013, down from 5.7% in 2012, high food prices were a major voter concern.

Meanwhile on 14 August, Varela revoked all 355 presidential pardons issued by Martinelli to various officials in the final days of his term in June on the grounds that they had been issued by a "non-competent authority" (they had been hastily co-signed by Martinelli's labour minister Alma Cortés, rather than by his interior minister Jorge Ricardo Fábrega). Varela also pointed out that the pardons had been issued for individuals who had not yet been convicted of any crime and called on the general prosecutor to investigate those responsible for issuing the pardons.

**National aid programme probed**

As well as the investigation into the Finmeccanica case, anti-corruption prosecutor, Lorena Coronel has announced a probe into the Programa de Ayuda Nacional (PAN), a government fund used for various initiatives aimed at improving disaster mitigation, nutrition and housing among other things.

The investigation is in line with a complaint lodged before the attorney general's office by PPA national legislator José Luis Varela (the President's brother) involving alleged crimes relating to public administration against Rafael Guardia, who served as a head of the PAN under former president Martinelli.

According to local press reports, the investigation will cover various contracts awarded to companies for alleged misuse of public funds from the PAN. The contracts in question include companies linked to Heriberto Vega, a former legislative candidate for Martinelli's Cambio Democrático (CD).

Critics have long suggested that State funds from the PAN have been used to attract turncoats.

## TRACKING TRENDS

EL SALVADOR | **Controversial new tax enters into force.** A new financial transactions tax took effect in El Salvador on 1 September. The 0.25% tax will be applied to financial transactions over US$1,000 made by cheque, credit card or electronic transfer, with the exception of salaries, remittances, public services, pension funds or ATM withdrawals.

Together with a minimum corporate income tax equivalent to 1% of the net assets of companies making more than US$150,000 a year, which took effect last month, the government led by President Salvador Sánchez Cerén calculates that the financial transactions tax will net an additional US$160m each year to fund social programmes to reduce poverty.

The private sector is up in arms. The president of the powerful umbrella business association (Anep), Jorge Daboub, said the new tax provided an "obstacle" to growth and a "risk" to El Salvador's competitiveness; discouraging investment and pushing businesses into the informal sector.

Sánchez Cerén insisted the taxes would not affect the poorest sectors of society, but the head of the chamber of commerce, Luis Cardenal, contended that they would lead to higher prices for goods and services, as the business sector would simply pass the cost on to consumers. Daboub and Cardenal had lobbied the finance minister, Carlos Cáceres, to postpone the entry into force of the new tax - to no avail.

HONDURAS | **Financing for 'dry canal' approved.** President Juan Orlando Hernández this week celebrated the signing of a contract to build a highway linking the Pacific and Atlantic oceans in Honduras. Hernández boasted that the L2.5bn (US$120m) project, which will be financed by Banco Ficohsa (Financiera Comercial Hondureña Sociedad Anónima), Metrobank de Panamá (Davivienda Honduras) and the Concesionaria Vial de Honduras (Covi), would provide "an important alternative to the Panama Canal".

The 391km highway will run from the municipality of Goascorán in the Honduran department of Valle by the Gulf of Fonseca to the Caribbean port of Puerto Cortés, with the initial stage of construction generating 1,200 jobs, according to Hernández. The new 'dry canal' will turn Puerto Cortés into "the most important port in Central America and a benchmark for Latin America", Hernández added.

**Party membership**

In a further sign of the less than ideological factors determining party membership, the exodus from the political parties defeated in the May 2014 election, continues. According to the most recent electoral tribunal (TE) report, membership of the Cambio Democrático (CD) dropped to 422,617 in July 2014, down from 458,502 in April, the month before the election while the Partido Revolucionario Democrático (PRD)'s membership dropped to 452,677 from 458,282 in April. Varela's Partido Panameñista (PPA), however, saw its membership rise – to 221,386 up from 216,338 in April.

## Quotes of the week

"I know what it is to be born of a woman."
*Lima mayoral candidate Luis Castañeda.*

"We undertook to move Mexico and Mexico is moving. Mexico is in movement."
*Mexican President Enrique Peña Nieto.*

"Our people are robust. In 2012 the FAO [Food and Agriculture Organization] recognised that Venezuela is the country that has made the greatest effort on the food front, a revolutionary record but nobody knows about it or said anything. In 1995 68% of the Venezuelan population didn't eat meat [but] dog food and babies were given water used to boil spaghetti in their feeding bottles. Venezuela was like hell."
*Venezuela's President Nicolás Maduro.*

# POSTSCRIPT

## No more tomorrows for Ecuador's *Hoy*

Ecuador's national daily *Hoy* fell silent last week after 32 years of publishing. Circulation was brought to a halt by the regulator, Superintendencia de Compañías, which said that *Hoy* was just one of around 700 companies that would be dissolved for making losses in excess of 50% of "social capital" for two consecutive years. The Inter American Press Association (IAPA) slammed the government led by President Rafael Correa for restricting freedom of expression in Ecuador.

The print version of *Hoy* had already been suspended on 29 June but the online version also ceased publishing on 26 August. In one of the paper's final editorials, the director of *Hoy*, Jaime Mantilla, blamed the "economic asphyxiation" from the advertising boycott by the State; the cancellation of contracts to print school textbooks; and the restriction on finding national investors as a result of tough strictures in the new communications law.

The chairman of the IAPA's Committee on Freedom of the Press and Information, Claudio Paolillo, who is editor of the Uruguayan weekly *Búsqueda*, accused the Correa administration of "conspiring against the public's right to enjoy pluralist debate and access distinct points of view." In July Paolillo blamed Correa for the collapse of the print version, maintaining that "This is no different to what other fascist governments have done throughout history".

The regulator denied hounding *Hoy* out of existence by dishing out heavy fines for minor infringements of the communications law, arguing that the firm's losses could mainly be attributed to tough financial times. This is more difficult to sustain, however, when Correa's criticism of the press is so unremitting. Only days earlier, on 26 August, Paolillo accused Correa of "intolerant, obsessive and personal" attacks on the journalist Emilio Palacio, which were "extremely dangerous and outrageous". Correa had used his Saturday broadcast, *Enlace Ciudadano*, to brand Palacio, the opinion editor of *El Universo* who was granted asylum by the US in 2012, "a psychopath". Correa added: "As a democrat, no matter how tolerant one is, what would you do in my case if you saw such a miserable human being? Wouldn't you trample on him? …. Don't you feel like kicking a guy like that?" Correa was responding to a report published by Palacio in April about a secret trip that the President had undertaken to New York.



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