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CONTENTS

CENTRAL AMERICA & CARIBBEAN	
HAITI	4
Lamothe bows to pressure	
MEXICO & NAFTA	
MEXICO	6
Peña Nieto confounded by violence	
TRACKING TRENDS	
ANDEAN COUNTRIES	
PERU-REGION	8
Deal on climate change salvaged	
BOLIVIA	9
YPFB hit by corruption scandal	
COLOMBIA	9
Tax reform carries economic and political costs	
TRACKING TRENDS	
BRAZIL & SOUTHERN CONE	
BRAZIL	12
Petrobras: no end in sight	
ARGENTINA	14
Fernández strikes back against the judiciary	
POSTSCRIPT	16
A peaceful December in Argentina?	
Quotes of the year	

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Obama sets bold new course on Cuba

Barack Obama has made history – and cast his legacy – by becoming the first US President to make a decisive move to end the last Cold War anachronism in the Americas. On 17 December President Obama used his executive powers to decree a major change in US-Cuba policy, paving the way for the restoration of diplomatic relations after 53 years. “These 50 years have shown that isolation has not worked,” Obama said. “It’s time for a new approach.”

The US Congress, which will shortly be controlled by the Republicans, will endeavour to block, or at the very least hold up, the executive measures decreed by President Obama (*see below*). Only Congress has the authority to lift the reviled trade embargo on the island. Congress can also refuse to ratify any ambassadorial appointment by Obama to head a planned new US embassy in Havana, although Obama would be able to appoint a more junior diplomat to run the post. But none of this can detract from the scale of Obama’s unprecedented gesture, which will have repercussions throughout the region. The reaction in Latin America was unanimously positive. Even Venezuela’s President Nicolás Maduro recognised Obama’s “brave gesture”, which he portrayed as a victory for Fidel Castro’s pertinacity, as the US also released three convicted Cuban spies.

The first Latin American pontiff, Pope Francis, has also cast his legacy in helping to secure the historic breakthrough, which was announced on his birthday. Cuba’s President Raúl Castro gave a brief televised address at the same time as Obama. After a long preamble which made up half of his address, he said, with classic understatement, that “we have been able to make headway in the solution of some topics of mutual interest for both nations”. Only towards the end did he mention that “We have also agreed to renew diplomatic relations”, before concluding that “We must learn the art of coexisting with our differences in a civilized manner”.

The well-known Cuban dissident blogger Yoani Sánchez was critical of Obama’s move, fearing that the government in Havana would use it to bolster its legitimacy; and critics questioned the lack of any requirement for Castro to initiate a democratic opening or improve human rights in Cuba in exchange for Obama’s undertaking. In an editorial the conservative *Washington Post* went as far as to suggest that Obama was throwing Cuba a lifeline when the trade embargo, which has failed to achieve its objective in half a century, was close to achieving its aim: “Mr. Obama may claim that he has dismantled a 50-year-old failed policy; what he has really done is give a 50-year-old failed regime a new lease on life.”

The majority of Americans, however, including many Cuban-Americans in the key swing state of Florida, favour normalising relations, according to a

**Excerpts from
President Obama's
address**

“To those who oppose the steps I’m announcing today, let me say that I respect your passion and share your commitment to liberty and democracy. The question is how we uphold that commitment. I do not believe we can keep doing the same thing for over five decades and expect a different result. Moreover, it does not serve America’s interests, or the Cuban people, to try to push Cuba toward collapse.....Change is hard – in our own lives, and in the lives of nations. And change is even harder when we carry the heavy weight of history on our shoulders. But today we are making these changes because it is the right thing to do. Today, America chooses to cut loose the shackles of the past so as to reach for a better future – for the Cuban people, for the American people, for our entire hemisphere.....Todos Somos Americanos”.

nationwide poll carried out by the Atlantic Council earlier this year, and are likely to back Obama’s move, which follows fast on the heels of his earlier executive action on immigration policy which, it has now emerged, was also encouraged by Pope Francis.

The details of the story behind the announcement were as fascinating as the announcement itself, with a full 18 months of secret talks facilitated by Canada and the Vatican since mid 2013 and Pope Francis recently penning personal letters to Presidents Obama and Castro asking for the release on humanitarian grounds of the US government sub-contractor, Alan Gross, in jail in Havana since December 2009 on charges of acts against the Cuban State. The 68-year old Gross has arrived back in the US. Also released from jail were the three remaining members of the ‘Cuban Five’ - Gerardo Hernández, Antonio Guerrero and Ramón Labañino - Cuban intelligence agents arrested in Miami in 1998 and convicted of espionage (two had already been released following completion of their sentences). These were apparently ‘swapped’ for a key US intelligence agent who has been held in Cuba for two decades (thereby allowing the US to say that Gross was not part of any ‘exchange’).

The unknown agent, described by Castro as “a spy of Cuban origin who was working for [the US]”, was called a hero by Obama, who said he had been critical to US operations in past years. Brian P. Hale, director of public affairs for the Office of the Director of National Intelligence, released a statement saying that “Information provided by this person was instrumental in the identification and disruption of several Cuban intelligence operatives in the United States and ultimately led to a series of successful federal espionage prosecutions.” This included the “information that led to the identification and conviction of Defense Intelligence Agency (DIA) senior analyst Ana Belen Montes; former Department of State official Walter Kendall Myers and his spouse Gwendolyn Myers; and members of the Red Avispa network, or ‘Wasp Network,’ in Florida, which included members of the so-called ‘Cuban Five.’” Hale concluded that his “swap for three of the Cuban spies he helped put behind bars is fitting closure to this Cold War chapter of U.S.-Cuban relations”.

Cuba has also agreed to release 53 prisoners identified as political detainees by the US (Cuba denies having any political prisoners). Again, the identity of these dissidents is unknown. Cuba released 75 dissidents in 2010 and 2011 following mediation by the Vatican and the Spanish government. Spain’s foreign minister, José Manuel García-Margallo, who recently visited Havana, said he welcomed “a new stage, which puts an end to a disagreement that has lasted for 50 years”. He stressed, however, that the future in Cuba “can only be built on the basis of respect for democracy and human rights”.

Main measures

The big symbolic move by the US is a promise to restore an embassy in Havana, where former president Jimmy Carter (1977-1981) established an Interests Section in 1977. Obama also announced a range of new measures aimed at facilitating travel, telecommunications and commercial links. Obama did everything he could within the confines of his executive power to promote direct bilateral economic relations with Cuba, but only Congress can repeal the 1961 trade embargo on Cuba, which in 1996 was codified into US legislation under the Helms Burton Act, which explicitly states that the embargo cannot be lifted until the Castros leave power. Republicans will fight tooth and nail to ensure the letter of the law is enforced. It is worth noting that one of the fiercest critics of normalising ties with Cuba, Republican Senator Marco Rubio (Florida), will become chairman of the panel overseeing Western Hemisphere relations in January.

Congress also holds the key to allowing direct and unrestricted tourism to Cuba. But the flow of US visitors to Cuba should increase significantly after Obama made general the various categories of travel licences that previously

US companies

line up

Despite the anticipated congressional moves to block or water down implementation of the new policy changes, potentially by holding up new funding for the Department of Homeland Security (for which funding recently expired), US companies clearly stand to benefit moving forward. Within hours of the White House announcement the financial newswire *Bloomberg* reported that the US\$45m Herzfeld Caribbean Basin Fund, comprising companies that stand to benefit from the removal of US trade restrictions with Cuba, rose 29%, the most since April 2009. The fund includes the airline Copa and Coca-Cola bottler Femsa, among others.

required approval on a case-by-case basis. He also authorised direct financial transactions between the US and Cuba. Travellers to Cuba will be able to use US credit and debit cards. Obama also lifted the level of permitted remittances sent from US citizens to Cuban relatives from US\$500 to US\$2,000 per quarter, and travellers will be able to bring in US\$3,000 in remittances. Republicans argue that this influx of US dollars will help bolster the Castro regime.

US Secretary of State John Kerry will review Cuba's designation as a state sponsor of terrorism. Cuba has long petitioned for its removal from that list, which would also facilitate its access to sources of external financing. Finally, good news for US cigar lovers. Licensed US travellers to Cuba will be able to return with US\$400 in Cuban goods, including tobacco and alcohol products worth less than US\$100 combined. This effectively means that the longstanding ban on importing Cuban cigars is more or less at an end, albeit with limits.

Unbridled regional delight

Latin American leaders heralded the announcement as a major step forwards for regional integration. Brazil's President Dilma Rousseff said it marked a "change in civilization". Brazil, which has favoured quiet relationship-building with the Castro government in recent years, now stands to benefit from its significant investment in the Cuban port of Mariel development project. Mexico's President Enrique Peña Nieto applauded the "decisive and historic step", sentiments echoed by José Miguel Insulza, the secretary general of the Organization of American States (OAS).

It was noteworthy that in concluding his statement President Obama declared: "This April, we are prepared to have Cuba join the other nations of the hemisphere at the Summit of the Americas. But we will insist that civil society join us so that citizens, not just leaders, shape our future." Panama is hosting the OAS Summit of the Americas on 11 and 12 April, and had confirmed on 12 December that Cuba would attend for the first time.

A potential loser in all of this could be Venezuela's President Maduro, who may now find himself a little isolated in the region in his vitriolic anti-US rhetoric. His allies Rafael Correa of Ecuador and Evo Morales of Bolivia have been more measured in their rhetoric latterly, suggestive of tentative efforts to rebuild ties with Washington. Diplomatic efforts by the Vatican earlier this year (and backed by the US) to foster internal dialogue in bitterly-polarised Venezuela failed, but are said to be ongoing behind the scenes.

Groundbreaking Farc gesture

On the very same day as the momentous US-Cuba announcement, there was another significant development in Havana in the bid to bring to a close the region's other long-standing intractable conflict. 'Iván Márquez' (Luciano Marín Arango), head of the negotiating team of the Fuerzas Armadas Revolucionarias de Colombia (Farc), read a statement declaring an indefinite unilateral ceasefire, which he said "should be transformed into an armistice", as the Colombian peace process enters the home straight.

The Farc said the ceasefire would begin on 20 December and, unlike previous unilateral ceasefires declared by the guerrilla group (during presidential elections and Christmas holiday periods), this one has no pre-established end point. The Farc attached one major condition, however: the ceasefire will end if the guerrillas come under attack from the Colombian armed forces. This is an attempt to force President Juan Manuel Santos to accept the bilateral ceasefire he has resisted since the peace process began on the grounds that the Farc would merely misuse it to regroup militarily.

Santos did recently accept that while a bilateral ceasefire was out of the question, "this doesn't mean that in the course of the talks the first steps towards de-escalating the conflict cannot be taken." He might just be tempted sooner rather than later to make a bold move on this front himself. After Obama's historic announcement, Santos tweeted that the US policy change on Cuba "will change the history of the hemisphere", and he too wants to cement his legacy by being the President that delivers peace with the Farc: "Cuba and the US are an example of however large the differences which divide us, with dialogue and perseverance it is possible to resolve them."

Lamothe bows to pressure

Prime Minister Laurent Lamothe stepped down this week. The move was not entirely a surprise. His departure was one of the main recommendations of a report issued by a presidential advisory commission tasked with finding ways to end the current political crisis caused by the failure to hold long overdue legislative and municipal elections [WR-14-48]. With President Michel Martelly yet to name a successor to the post – traditionally a tricky one to fill in Haiti – and the legislature set to become inoperative as of 12 January the move could intensify the crisis rather than resolve it.

On 9 December the advisory commission, which included well-known public figures from the Church, private sector, politics and trade union sectors, released its report on how to solve the impasse between the government and opposition which has blocked the approval of necessary electoral legislation citing complaints that the provisional electoral court (CEP) is unconstitutional [WR-14-40].

The report's most controversial finding was that Lamothe, who is unpopular with the legislature in which Martelly's Repons Peyizan has just three seats, should step down so that a new consensus government could be formed. The report also called for the resignation of the president of the supreme court and the current CEP members as well as the release of several "political prisoners" considered to have been arbitrarily arrested like Rony Timothée and Biron Odigé, of Fòs Patriotik ou Respè Konstityyon (Fopark).

The report did not, however, address some key issues like what will happen next month when all 99 lower chamber seats and a further 10 seats in the senate (a third of which is already vacant) expire.

With anti-government protests taking place with increasing frequency [WR-14-48] and the international community showing growing concern (see below), Lamothe stepped down five days after the report's release. While the United Nation's special envoy to Haiti, former US president Bill Clinton (1993-2001), stoked existing anti-US sentiment by coming out in strong defence of Lamothe (see sidebar), overall his departure was well received both domestically and abroad. Yet the task of filling the post - which Lamothe held since 2012, a year after President Martelly took office - is unlikely to be an easy one, particularly given that under the 1987 constitution, the legislature has the final word over the appointment. A close Martelly ally, Lamothe was the president's fourth choice after his predecessor, Gary Conille, quit in February 2012 after just four months in the job.

Various names have been floated in the international media as possible replacements. These include the current minister of social affairs and labour, Charles Jean-Jacques; the current finance minister, Marie-Carmelle Jean-Marie; former interior minister and current senator, Jocelerme Privert (2002-2004), of the opposition Inité and former prime minister, Jean-Max Bellerive (2009-2011). Senate president Simon Desras (of the opposition Lavni) has already reportedly warned President Martelly to pick someone outside of his "clan", or else opposition protests will grow.

Well received?

Lamothe's departure and efforts to implement the presidential commission's findings have been hailed by the UN and US, with the latter having played a visible role in trying to break the impasse. Earlier this month the US ambassador to Haiti, Pamela White, met opposition leaders to discuss the crisis,

Clinton

In an 11 December interview with the *Miami Herald*, the UN's special envoy to Haiti, former US president Bill Clinton (1993-2001), defended Laurent Lamothe warning that his removal from office could hinder progress made in Haiti over the past four years. His remarks were not well received by the political opposition and follow evidence of anti-US sentiment following recent protests outside the US embassy, accusing Washington of interference and of continuing to support the government of President Martelly.

More violence

Protesters in Port-au-Prince accused the police of shooting dead an unarmed demonstrator during protests which took place on 12 December. However, a police spokesperson, Gary Desrosiers, told international reporters that “no one died in today’s protests. There were no great incidents”. Desrosiers said an investigation has been launched into the death although he suggested that protesters had “put the body there”.

while US Counselor of the Department of State, Ambassador Thomas A. Shannon paid a visit to the country between 10 and 12 December where he met Martelly, Lamothe, and “representatives from Parliament, opposition political parties, and the international community”.

In a 12 December press briefing, US State Department spokesperson, Jen Psaki, said that the US administration “welcome[s] the December 9th recommendations offered by the consultative commission established by President Martelly as a basis for dialogue”. This was echoed by the head of the UN Stabilisation Mission in Haiti (Minustah), Sandra Honoré, who said the ‘Core Group’ (comprising the ambassadors of Brazil, Canada, France, Spain, the US, the European Union, and the Special Representative of the Organization of American States) welcomed the decision to implement the report’s recommendations.

As regards the local opposition, while the announcement of the new presidential advisory commission was initially met with scepticism, some of the parties – like Organisation du Peuple en Lutte (OPL), an offshoot of former president Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004)’s Fanmi Lavalas, and the smaller Fusion des sociaux démocrates (Fusion) have since come round. Others, like Ayisyen Pou Ayiti, have yet to be won over. That tensions remain high was suggested in anti-government protests which took place on 12 December in Port-au-Prince as well as other cities like Cap-Haïtien and Gonaïves in response to Lamothe’s initial offer to step down after the Martelly government failed to give a deadline, prompting suspicion that it would not become effective.

Meanwhile the repressive response - protesters in the capital accused the police of shooting dead an unarmed demonstrator (*see sidebar*) - have also once again proven damaging for Minustah after it was accused of excessive use of force. On 12 December the UN body, which remains highly unpopular in Haiti due to its presumed responsibility for the October 2010 cholera outbreak and the sexual abuse scandal involving Uruguayan peacekeepers in September 2011, issued a statement announcing that it “takes this allegation very seriously” and that it had “immediately opened an investigation to establish the facts”.

Poverty

On 11 December the national observatory on poverty and social exclusion (ONPES) and the World Bank released a report on poverty in Haiti – the first assessment of poverty in the country since the January 2010 earthquake.

Entitled *Haiti: Investing in people to fight poverty*, the report notes that extreme poverty declined from 31% to 24% at the national level and from 20% to 5% in the Port-au-Prince area between 2000 and 2012.

It flags up that the biggest gains in access to basic services have been in education, where school participation rates have risen from 78% to 90%. More generally it finds that the key drivers behind the decline in poverty since 2000 have been the increase of better paid jobs in construction, transport and telecommunications, particularly in the Port-au-Prince area, as well as large flows of remittances and international aid. It notes that between 2001 and 2012, wages in the formal sector were four times higher than in the agriculture sector, and the share of households receiving remittances rose from 42% to 69%.

Yet the report notes that “poverty remains high and access and quality of basic services remains a major concern, particularly in rural areas. More than 6 million Haitians - almost 60 percent of the population - live on two dollars a day and the richest 20 percent of households hold 64 percent of total income in the country.”

As regards how to close the poverty gap, the report suggests three priority directions: to boost incomes and economic opportunities; improve access and quality of health and education services; and for the government to “protect the poor and vulnerable from shocks”.

Peña Nieto confounded by violence

Relatives of abducted students speak out

The national human rights commission (CNDH) condemned the violence in Chilpancingo on 14 December and called for restraint. Furious relatives of the missing students lashed out at the federal government, accusing it of sending the federal police (PF) to attack them rather than to find their loved ones, as if “we’re the criminals”. The relatives of the students accuse the federal government of sending federal security forces to the town to suppress their protest campaign, and are demanding their withdrawal.

Violence in the states of Guerrero and Michoacán over the course of the past week has raised the spectre of serious social convulsions unless the federal government led by President Enrique Peña Nieto can regain the initiative. Peña Nieto has worked hard to create an image of Mexico as reform-driven, efficient and modern, only for the country’s acute public security concerns to shoot to global prominence with the abduction, and presumed murder, of 43 trainee teachers in Iguala, Guerrero, in September, since when his government has been flailing.

Violent clashes between protesters and the federal police (PF) on 14 December in Chilpancingo, the capital of the troubled state of Guerrero, left at least 21 people injured. There are conflicting reports about exactly what happened. What is clear is that students from the Ayotzinapa teachers’ college were organising a concert in solidarity with their abducted colleagues, called ‘A light in the darkness’. They blocked a street with metal barriers.

The student version of events at this point is that three intoxicated PF officers got out of a taxi and proceeded to insult them while they were preparing for the concert; the officers then entered a nearby hotel where they were staying and reappeared with five colleagues, before attacking the students. The PF version is that students and teachers from the militant state teachers’ union (Ceteg) burst into a hotel where officers were staying and effectively took three of them hostage, beating them and then leaving them battered and bruised on the streets. When five PF officers tried to go to the aid of their comrades they were struck by a van which, according to the PF, was driven by one of the protesters. Clashes subsequently ensued during which eight students were hurt. The PF insists that none of the officers were drunk.

Whatever the real version of events, the seriousness of this clash suggests that sooner or later an activist or a police officer will be killed in the violence and social tension could even boil over into a revolt. One of the federal police officers was whipped on the back, and another hurt so badly he suffered serious brain trauma, a crime which should be punished but the authorities are too scared to seek justice for fear of a backlash.

Teachers from the Ceteg later went to the local PF academy, setting fire to two vans, as well as breaking windows. Hooded Ceteg activists continue to stop trade in Chilpancingo. The Ceteg also insists that it will not allow elections to take place in the state next June unless the Iguala case is resolved. The Ceteg has ordered the closure of the national electoral institute (INE) offices - and they are at present closed.

Ceteg has thrown down the gauntlet and the federal government has been unable or rather unwilling to pick it up. Ceteg has been openly defying the federal government by blocking the Autopista del Sol Mexico City-Acapulco motorway for several hours a day in Chilpancingo. Only on 4 December Peña Nieto visited Acapulco, where he promised a temporary 50% reduction in the tolls on the motorway in a bid to encourage the flow of tourists to the area for the Christmas and New Year holidays to lift the beleaguered tourism industry. This is meaningless if the Ceteg continues to block the road.

There is no sign of the protests abating. The secretary general of the Ceteg, Reyes Ramos Guerrero, said on 13 December that there would be no let up and the mobilisations and roadblocks would continue through the festive season. The police have been reluctant to step in without explicit orders.

Santander

The CEO of Santander, Ana Patricia Botín, said that she expected that Santander's operations in Mexico would become the bank's largest overseas operations, providing the lion's share of its profits. Currently Santander's Mexican operations are the bank's third largest behind those of the United Kingdom and Brazil. Botín's late father had sought to rapidly expand Santander's presence in Brazil but following the various difficulties that the bank has encountered there in recent years, it seems that Botín now wants to focus its efforts on Mexico. "We have always backed those that dare," Botín said, pointing out that "Mexico is daring to achieve greater economic development... with a leadership that is willing to make the necessary changes to attract more investment" - in allusion to the structural economic reforms promoted by the Peña Nieto administration.

Michoacán mayhem

At the same time, security problems have raised their ugly head in Michoacán again. On 14 December members of the Fuerza Rural, the local police force created by the federal government to subsume the troublesome self-defence groups, erected roadblocks using buses, trucks and vans, in nine of the 113 municipalities in Michoacán. They dangled banners from the vehicles demanding the capture of Servando Gómez Martínez ('la Tuta'), the leader of Los Caballeros Templarios (LCT) drug trafficking organisation (DTO), and others. Hundreds of armed men blocked roads in Apatzingán, Acuitzio, Paracho, Los Reyes, Zamora, Carácuaro, Uruapan, Ziracuaretiro and Huetamo for eight hours.

On 15 December the federal security commissioner in Michoacán, Alfredo Castillo, met members of the Fuerza Rural in Apatzingán to stress that its members are not permitted to patrol outside their own municipalities. Castillo's commission revealed that it had detected the presence of members of Los Viagras, the estranged armed wing of the LCT, in the protests.

On the previous day, 300 men believed to be closely linked to Los Viagras failed tests carried out by the federal government in order to join the Fuerza Rural. The self-defence groups have accused Los Viagras, who they say betrayed the LCT by trying to gain total control of the production and trafficking of drugs such as marijuana, of trying to infiltrate the Fuerza Rural.

At least 11 people were killed on 16 December in an armed clash in the small town of La Ruana in Michoacán, including the son of Hipólito Mora, one of the founders of the 'self-defence groups' and now a leader of the Fuerza Rural in La Ruana.

The clash looks like score-settling. Mora's group was attacked by members of another former 'self-defence group' led by Luis Antonio Torres ('El Americano'). Mora was imprisoned for two months last March charged with the murder of two close associates of Torres, who Mora has accused of links to Los Viagras.

Castillo said federal forces had been sent to La Ruana to restore the peace. But the clash highlights just how fraught the government's efforts to incorporate the 'self-defence groups' into the local police structure are.

TRACKING TRENDS

MEXICO | Santander pledges major investment. The newly appointed CEO of Spain's Santander Group, Ana Patricia Botín, announced last week that the bank plans to invest US\$15bn in Mexico over the next 3-4 years to expand the credit lines it offers for local infrastructure development projects as well as for small and medium-sized enterprises (SMEs).

Santander is Europe's largest bank by market value and its announcement is a definite boon for the government led by President Enrique Peña Nieto and its plans to promote economic development through major national infrastructure projects and by boosting the financing for SMEs.

Botín (who was appointed CEO back in September following the death of her father Emilio Botín) made the announcement during her participation in the XXIV Ibero-American summit held in the eastern Mexican city of Veracruz on 8 and 9 December. She said that Santander was "committed to investing US\$10bn over the next three or four years in Mexico's infrastructure sector, plus an additional US\$5bn on credit lines for SMEs".

Botín explained that the move answered to the bank's decision to "grow along with Mexico" in the next couple of years (*see sidebar*).

Deal on climate change salvaged

Peru's valiant efforts to broker a deal to address climate change were not entirely in vain. The Lima Climate Change Conference (COP20), held under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC), scheduled to run from 1-12 December, concluded in the early hours of 14 December. It overran by some 33 hours, before the 195 countries taking part could agree to adopt a slender five-page document, dubbed the 'Lima Call for Climate Action', spelling out carbon emission targets for the next six months.

Political divisions within Latin America often conspire against regional initiatives; global divisions between the developed and developing world, with many more actors, take this to an entirely new level. Peru's environment minister, Manuel Pulgar Vidal, who chaired the talks, conceded, with some understatement, that "it is a complex debate." Given the scale of the divisions, Peru emerges with some credit for ensuring that an accord was struck at all even if it is some way shy of being a new global treaty on reducing carbon emissions to replace the 1997 Kyoto Protocol. Christiana Figueres, the executive secretary of the UNFCCC, thanked Pulgar Vidal, saying that "many positive outcomes" owed much to his "patience and persistence".

While there was unanimous agreement on the principle of a staged move away from fossil fuel driven economies to greener energy, this did not translate into specific plans for cutting emissions. Instead, there was agreement on the ground rules on how all countries can submit their reduction plans, known as Intended Nationally Determined Contributions (INDCs), by March 2015 ahead of the next conference in Paris in December 2015. Both developed and developing countries were much happier to pledge cash to bolster the new Green Climate Fund (GCF), which went beyond an initial target of US\$10bn.

Bolivia's President Evo Morales led the impassioned pleas for more action: "There is a large group of countries that has historically abused the atmosphere and has committed ecocide. But there are other countries who are following the same mercantile path [...] which concentrates wealth in the hands of the few [...] if developed countries had established actions called for by the convention we would not be at the stage of listening to their apocalyptic forecasts."

Morales went on to adopt apocalyptic rhetoric himself: "After 20 years we have had talks with no results. This is a failure. We have not reached any substantive agreements. Today we find ourselves at the beginning of the disappearance of the human race. Developed countries are not fulfilling their duty. Climate change has become an escape valve for not discussing the model of capitalistic development [...] This is not a dialogue among equals. It is a monologue."

The prime minister of the Polynesian island of Tuvalu, Enele Sosofo, followed, saying it was "a pleasure to speak after President Morales" having chaired a roundtable on vulnerable countries at the Climate Change Summit convened by the Secretary General of the UN, Ban Ki-moon, in September this year: "I carry a huge burden and responsibility. This keeps me awake at night. No national leader in the history of humanity has ever faced this question, will we survive or will we disappear under the sea. I ask you to think what it is like to be in my shoes, and pause and ask what would you do? I ask you to pause. What would you do? [...] We are facing the biggest moral crisis of humanity. There is no place for denial. It's time to ignore the climate deniers driven by the fossil fuel industry. It's time to ignore leaders who deny climate change. They are empty shallow creatures; they only see the face of dollars."

“Lima has given new urgency towards fast tracking adaptation and building resilience across the developing world—not least by strengthening the link to finance and the development of national adaptation plans.”

**Manuel
Pulgar-Vidal,
Peru's environment
minister.**

YPFB hit by corruption scandal

Headline-grabbing revelations regarding the existence of a corruption network within Bolivia's state oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) have struck the Movimiento al Socialismo (MAS) government led by President Evo Morales ahead of local elections scheduled for March 2015.

The scandal first broke on 10 December when the minister for transparency and anti-corruption efforts, Nardi Suxo, announced that four people had been arrested in the eastern city of Santa Cruz, accused of forming a corruption ring in YPFB's communications unit. A further two people have been arrested in relation to the allegations which centre on the fact that various companies, identified as Omnimedia, Structura Colibrí, Agencia Publicitaria, Bravo and Bell Comunicaciones, linked to the suspects, benefited via influence-trafficking from contracts worth between B\$2.5m and B\$3m (US\$364,000–US\$437,000). At the heart of the scandal is the former YPFB communications director, Selva Camacho, who has also accused YPFB president, Carlos Villegas, of sexual harassment.

The last major scandal involving YPFB took place back in 2009 – the worst to hit the Morales government since it took office in 2006 – and forced the resignation of Santos Ramírez [WR-09-05], a close ally of Morales and founder of the MAS. Yet for the time being the government is sticking by Villegas. On 12 December the minister for the presidency, Juan Ramón Quintana, issued a statement reiterating the government's confidence in him. Yet this could change given the unexpected importance that the issue of sexual harassment and gender violence had ahead of October's general elections, in which allegations regarding such charges forced various candidates to step aside [WR-14-40].

COLOMBIA | POLITICS

Tax reform carries economic and political costs

President Juan Manuel Santos and his finance minister, Mauricio Cárdenas, celebrated the passage through both chambers of congress over the last week of an urgent tax reform bill designed to cover a Col\$12.5 trillion (US\$5.2bn) budget shortfall in 2015. The political opposition put up fierce resistance, especially in the senate, where the government also had to weather significant criticism from within the ruling coalition. Cárdenas maintains that the tax reform will help buttress the economy at a time when oil prices are declining rapidly and the US dollar is appreciating. His detractors contend that the reform will damage growth by placing an extra burden on the business sector.

The senate approved the tax reform on 11 December by 61 votes to 20 after a long debate. The bill had been altered to reflect an eleventh-hour compromise thrashed out the day before by finance ministry officials and representatives of the national trade council (CGN), which comprises 21 business organisations, to help smooth its passage through the senate. The standout concession by the government was a promise to phase out the wealth tax. The wealth tax will impact anyone with liquid assets worth more than Col\$1bn (US\$419,800) to a maximum annual rate of 1.15% in 2015, 1% in 2016 and 0.4% in 2017, before expiring in 2018.

The wealth tax had been the major bone of contention with business leaders, who argued, among other things, that it would deter investment. In exchange they agreed to accept a gradual increase in a surcharge on a tax on profits (CREE in the Spanish acronym) above Col\$800m (US\$332,000) of 5% in 2015, 6% in 2016, 8% in 2017 and 9% in 2018. They also accepted the exten-

IMF reaction

The managing director of the International Monetary Fund (IMF), Christine Lagarde, gave the thumbs up to Colombia's tax reform during a meeting with Finance Minister Mauricio Cárdenas during an IMF conference in Santiago earlier this month, the Colombian finance ministry reported. Lagarde apparently congratulated Cárdenas for implementing policies that guarantee sustainable economic growth in a complex global environment.

Good by regional standards

Finance Minister Mauricio Cárdenas was quick to note that Colombia's GDP growth is the highest among the larger regional economies, with the 4.2% growth it posted in the third quarter comparing favourably to 2.2% growth in the third quarter in Mexico and 0.8% in Chile, and a contraction of 0.2% in Brazil.

sion of the transaction tax dubbed 'cuatro por mil' (which sees all customers pay four pesos for each 1,000-peso bank transaction) for a further four years.

The reform also includes a 10% surcharge for all those omitting to declare foreign assets of more than Col\$8bn (US\$3.9m) and a four-year jail sentence, as well as an initiative to combat tax evasion which the government hopes will net Col\$20 trillion (US\$9.95bn) between 2015 and 2018.

"The government wanted to cook the reform in a microwave. This will be damaging for the private sector and for job creation," Senator Iván Duque of the right-wing Centro Democrático, led by Senator Álvaro Uribe, said. Duque added that it was "a myth that the reform only affects a minority, companies". Uribe himself said that the fact that the business sector had "reluctantly" agreed to the tax reform did not make it good. "The problem is not the members of the public with Col\$1bn assets but those with exorbitant sums," Iván Cepeda, of the left-wing Polo Democrático Alternativo (PDA), said.

More damagingly for the government, senators from within the ruling coalition also criticised what they described as piecemeal tax changes to meet immediate revenue needs when more long-term structural changes were required. "The government should pass a reform for the next 20 years and not a fragile little reform each year," Senator Juan Carlos Restrepo, of Cambio Radical (CR), said. David Barguil, president of the Partido Conservador (PC), also criticised the fact that the reform did not get to the root of the problems in the tax system.

The senate went some way towards meeting these concerns by approving the creation of a special commission to study a major structural tax reform. How far this goes is a moot point. Cárdenas countered the criticism by arguing that it was more appropriate to make "adjustments that have positive effects like the present reform". He added: "To rewrite the tax statutes would take our country down a route of too much uncertainty; *this is not going to happen* (our italics)."

On 15 December the tax reform bill made it through the lower chamber without any further changes. It now just requires ratification by President Santos, who will be relieved that the hole in the budget has been plugged. The trouble is this hole has been caused primarily by falling oil production, but oil prices are also falling alarmingly now. The price of oil has fallen to around US\$60 per barrel (/b), while the budget is based on an assumption of US\$98/b. The oil sector accounts for 6% of GDP and exports of oil and oil derivatives were worth 54.3% of Colombia's total exports in 2013 (US\$32bn of a total US\$59bn).

This will impact on Colombia's economic growth in the final quarter of the year and 2015, but Cárdenas was able to celebrate the release of encouraging growth figures for the third quarter by the national statistics department (Dane) this week. The third quarter figure of 4.2% growth was down only slightly on the 4.3% growth posted in the second quarter. The main driving force behind growth in the third quarter was the construction industry, which expanded by 12.7% on the same period last year.

Some in the business sector voiced concern that the tax reform would place a heavy burden on business with the economy entering a period of uncertainty as a result of oil prices and the appreciating US dollar. The foundation for high education and development (Fedesarrollo), a Colombian think tank, released a study this week arguing that the tax reform could be very damaging for the economy. While small sized companies will be unaffected by the increase in the CREE profit tax, something which the Santos administration was very keen to emphasise, medium and large sized companies will be affected, which Fedesarrollo calculates will lead to a fall in investment, reducing potential GDP growth by 0.48 of a percentage point and boosting unemployment by some 0.6 of a percentage point, putting 132,000 jobs at risk.

Pdvsa, ONGC look for joint loan

On 16 December *Reuters* reported that two sources at Venezuela's state-owned oil firm, *Petróleos de Venezuela (Pdvsa)*, and India's state-owned Oil and Natural Gas Corp. (ONGC) said that the two firms are looking for a US\$1bn loan to invest in their joint venture at the San Cristóbal oil fields in Venezuela's Orinoco belt. Production at the San Cristóbal fields has recently dropped from a peak of 40,000 barrels per day (bpd) to 30,000bpd. According to the sources, the firms have been negotiating the loan for the past year and this partly involves the payment of US\$500m of ONGC's dividends owed to the firm for the past five years. In fact, the sources claim that the negotiations are so advanced that "it could be sealed next year".

ECUADOR | Ifad lends a hand. On 15 December the United Nations International Fund for Agricultural Development (Ifad) announced that it would contribute €25.73m (US\$32m) to the promotion and development of competitive and sustainable agricultural enterprises in Ecuador.

A statement by the Rome-based organisation said that it had set aside the funds to be allocated between 2015 and 2018 to help Ecuador diversify its agricultural economy and overcome its agricultural raw material exploitation-centred model.

The statement explains that the objective of the national strategy for Ecuador approved by its board of directors is to provide the necessary financial, technical and training resources to enable domestic production and exports to go beyond raw materials and have added value.

Jesús Quintana, the director of Ifad's Ecuador programme, said that besides helping develop a new agricultural economic model, the setting up of the new companies will also promote "the social inclusion of groups that have been traditionally marginalised, such as women, young people, indigenous and Afro-Ecuadorean communities.

All of this is in line with the national poverty eradication strategy announced by the government led by President Rafael Correa on 27 November. In unveiling the plan, Ana María Larrea, the technical secretary for the eradication of poverty, said that one of the main goals was to increase local agricultural production by increasing access to land, irrigation, credit, technology and markets for small-scale producers. According to Larrea, this would help to reduce national underemployment levels.

Ifad, which has been working in Ecuador since 1978, has provided €177.7m (US\$221m) in funds to the Andean country. The organisation is currently funding three projects, valued at €86.83m (US\$108m), which benefit some 25,000 families.

PERU | End of the slowdown? On 15 December Peru's national statistics institute (Inei) released its latest economic growth figures showing that GDP grew by 2.37% in October year-on-year on the back of positive growth in the majority of economic sectors, including the key mining & hydrocarbons sector. The result is encouraging given the marked economic slowdown since the middle of last year, and a contraction in the third quarter of this year, and will be heralded by the government led by President Ollanta Humala as reward for its adoption of a series of economic stimulus measures.

According to the Inei report, the majority of economic sectors registered growth in October with the exception of the manufacturing (-3.07%), construction (-3.18%) and fishing (-9.7%) sectors. While this may have hindered overall growth in the month, which was slightly lower than the 2.68% registered in September, the 3.75% increase in activity in the mining & hydrocarbon sector after six consecutive months of negative results is a very positive sign.

The mining & hydrocarbons sector has traditionally been the driving force of Peru's domestic economy and if the country is to return to post growth rates of over 5% in the medium to long term, activity in this sector has to move in the right direction. The sector's return to growth was driven by increased production in the mining of commodity metals such as gold (8.90%), lead (5.52%), iron (4.58%) and zinc (0.67%).

The October results bring the accumulated growth rate for the first 10 months of the year to 2.75% on Inei figures. This is slightly higher than the lower end of the central bank (BCRP)'s latest growth forecast for the year of 2.6% to 3%. But whether the renewed dynamism in the mining & hydrocarbons sector will continue in the short term is a moot point, and waning global commodity prices are also problematic.

Recently, the BCRP's general manager, Renzo Rossini, revealed that the bank had cut its growth forecast for next year from the 5.5% predicted in October to 5.2%-5.5%. Rossini attributed this decision to the "still tentative" growth in some sectors.

VENEZUELA | Risk rating. "Risk rating companies have put the country's risk at practically the highest in the world, more than countries at war, or suffering the ravages of Ebola," President Nicolás Maduro railed on 8 December. Venezuelan bond yields are indeed the highest among emerging markets, with spreads over comparable US Treasuries at 2,072 basis points. With the fiscal deficit estimated at 17% of GDP, the word 'default' is being bandied about anew. According to a 7 December *Bloomberg* report, trading in credit-default swaps and CMA data suggests a 73% chance that Venezuela will default on its bond obligations in the next two years.

Petrobras: no end in sight

A total of 36 of the 39 executives being investigated over the corruption scandal at the state-dominated oil company Petrobras have now been charged with criminal offences. Petrobras shares have lost over 85% of their value since 2009. Two US law firms have filed lawsuits in a Manhattan court room over allegations the company misled investors. With oil prices slumping, the costly investment phase necessary for Petrobras to exploit its massive pre-salt oil fields is coming under scrutiny.

Under pressure, the president of Petrobras, Maria das Graças Silva Foster, has offered her resignation, twice, to President Dilma Rousseff, but both times she has been turned down. With Brazil's biggest engineering and construction firms under investigation for their complicity in the scandal, other Latin American countries have been drawn into the mire. Questions are now being asked over the projects carried out by Brazilian companies in Argentina, Colombia, Ecuador, Uruguay and Cuba.

Defendants

Of those now charged, two names are wearily familiar to the Brazilian public: Alberto Yousseff, the black market financier at the heart of the scandal, and Paulo Roberto Costa, the former head of supply at the oil giant. More recent additions to the roll-call of suspected wrongdoers include Ricardo Pessoa, the president of the engineering firm UTC, and senior executives from Camargo Corrêa, Engevix, OAS, Galvão Engenharia and Mendes Júnior. Charges range from corruption to money-laundering to the operation of a cartel.

The construction firms are accused of collaborating to determine the outcome in advance of public works' auctions; then overpaying on contracts with Petrobras, with the excess funds going either to the individuals involved or to the ruling Partido dos Trabalhadores (PT) and its political allies.

Regional fallout

Among the documents found at Yousseff's house there is a list of 170 companies involved in 747 contracts for infrastructure projects. These contracts, worth a total of R\$11.5bn (US\$4.3bn), are all now under suspicion, including those in neighbouring Latin American countries. One of the projects on the list is the Mariel port upgrade project, the new port zone being constructed 50km from the Cuban capital, Havana. The project was already heavily criticised by the opposition in Brazil for essentially bankrolling a dictatorship. Government supporters in congress are regularly told to "go back to Cuba". Mariel's presence on Yousseff's list will only serve to inflame yet further the more hysterical members of the Brazilian opposition.

Much of the work is being financed by Brazilian capital; President Rousseff attended the opening of the first phase of the project in January. The Brazilian construction firm, Odebrecht, is carrying out the work for a total of R\$7bn (US\$8.7bn); on Yousseff's list the contract is listed as being worth R\$3.6bn (US\$4.48bn). Odebrecht, one of the few of Brazil's major construction firms which does not currently have any of its directors in preventative detention for suspected involvement in the Petrobras corruption scheme, denies any wrongdoing. Also on Yousseff's list is a gas plant in the Argentine province of Córdoba, which received US\$60m from Brazil's development bank (Bndes) in 2008. Over the past decade Bndes has lent billions of dollars to Argentina to help it expand its gas supply network. Bndes denies any involvement with the scheme at Petrobras.

US corruption

The US company Dallas Airmotive Inc. has agreed to pay US\$14m to the US government after admitting to having carried out corrupt practices in foreign countries, including Brazil. Among the acts of corruption it has admitted to, Dallas Airmotive said that it bribed the Brazilian air force and the government of Roraima state to secure contracts.

“Firm and rapid” adjustments

On 16 December Joaquim Levy, the newly appointed finance minister, said that 2015 would be a year of “firm and rapid” adjustments for the Brazilian economy. Subsidies look set to be phased out, particularly in the electricity sector, with consumers likely to face price rises. Growth is expected to be weak in 2015, at just 0.8%, but Levy sounded more optimistic about the prospects for 2016. Next year will be a period of “sacrifices, but without bumps”, according to Levy.

On 17 December, the Brazilian newspaper *Valor* ran a story which claimed that documents found in the offices of the construction firm OAS indicated the company donated money to election campaigns in Costa Rica and Guatemala. If true, certain politicians in the two Central American countries could be found in violation of electoral law. It could also prove highly damaging to the prospect of the Brazilian firm finding further work in the region.

Foster under pressure

In a speech to mark International Anti-Corruption Day at the beginning of December, the Brazilian attorney-general, Rodrigo Janot, indicated that a complete overhaul of the management of Petrobras would be welcome. Already under enormous pressure, Silva Foster faced further scrutiny over the last weekend, when a Brazilian newspaper published claims that she was informed of irregularities in Petrobras’ contracts in 2009.

Silva Foster was appointed to lead the company by Rousseff in 2012. Rousseff has refused to accept her resignation. Various government ministers have staunchly defended Silva Foster’s handling of the crisis and insist that the emails unearthed by the Brazilian media do not prove she was aware of the corruption scheme.

One of Silva Foster’s offers of resignation came on 12 December, at the meeting of Petrobras’ administrative committee. She offered to stand down if it would help persuade Petrobras’ auditors, PriceWaterhouseCoopers (PwC) to sign off on its accounts. So far, PwC has refused to approve the company’s accounts until the scale of the corruption becomes clear. This forced Petrobras to delay an earnings’ report that was due in mid-November. Now, it has promised to provide full details to its auditors by June 2015. If it fails to get its books in order by 13 November 2015, it will lose its company register and with that, the ability to trade its shares on the stock market.

Petrobras scandal delays ministerial appointments

President Rousseff is due to be sworn in for her second term of office on 1 January. Already the PT has sent out email invitations for a “Hope March” in downtown Brasília on the first day of 2015. The event is likely to be something of a damp squib, however. Not even the second inauguration of Lula da Silva (2003-2011) was much of an event (unlike the first, which attracted tens of thousands of Brazilians to the capital, many from the north-east).

If the opposition Partido da Social Democracia Brasileira (PSDB) has its way there will be no inauguration: on 17 December it filed a case at the supreme electoral court (TSE) arguing that Rousseff’s mandate should be repealed based on abuse of political power during the election campaign. Though the appeal is highly unlikely to succeed, and the opposition’s hopes that the TSE would refuse to write off Rousseff’s election campaign finance have also come to naught, it does highlight the poisonous atmosphere that has descended on Brazilian politics even before the inauguration.

The Petrobras scandal is mainly to blame. The most tangible effect on the workings of government is the delay in appointing new ministers. While the markets, and fears of a possible credit downgrade, forced Rousseff’s hand over the new economic team, no other ministers have been officially appointed, largely, it seems, for fear that they could become embroiled in the Petrobras scandal.

The only name that seems almost certain is Kátia Abreu, the president of the confederation of agriculture and livestock, as the new agriculture minister. It would be a controversial choice, given how much of a hate figure Abreu is among environmentalists and landless peasants. While agricultural productivity has improved dramatically in recent years, Brazil’s environmental record under Rousseff has been widely criticised.

Fernández strikes back against the judiciary

The administration of President Cristina Fernández has backed up its increasingly intemperate criticism of the judiciary with action. Weeks ago, cabinet secretary Jorge Capitanich reacted to the news of an investigation into a hotel chain owned by Fernández's family by claiming Argentina's judges were attempting a "coup". In order to prevent such a "coup" from happening, Fernández has shaken up the Secretaría de Inteligencia (SI), Argentina's civilian intelligence service.

Héctor Icazuriaga, the head of the SI; his deputy, Francisco 'Paco' Larcher; and the number three in the organisation, Antonio 'Jaime' Stiusso, submitted their resignations on 16 December. The SI leadership was appointed 10 years earlier when President Fernández's late husband, former president Néstor Kirchner (2003-2007), was in power, but since then Fernández has steadily lost faith in its commitment to safeguard her presidency. One notable error was the SI's failure to foresee the political resurgence of Sergio Massa. Once Fernández's cabinet secretary, Massa has now emerged as a key leader of the opposition and a probable presidential candidate in 2015.

But it appears the final straw for Fernández was the slew of court cases assailing her government ministers. While federal judge Claudio Bonadio has so far uncovered nothing untoward in Fernández's own holdings, he has ensured her vice-president, Amado Boudou, will face a public trial in the new year over charges that he falsified official documents on the purchase of a sports car.

Boudou also faces a string of other, more serious charges relating to illicit enrichment and abuse of public office, but the irregular car purchase will be the first case in which a sitting vice-president will be obliged to defend himself in court. The justice minister, Julio Alak, faces an investigation into his role in the nationalisation of Aerolíneas Argentinas and the security secretary, Sergio Berni, has been charged with illicit enrichment.

Taking over at the SI will be Oscar Parrilli, until now the secretary general of the presidency, and Juan Manuel Mena, who was the cabinet chief for Justice Minister Alak. According to the Argentine media, the move is designed to pressure some of the more anti-government judges to back off in their investigations.

Federal judges often work hand-in-glove with Argentina's intelligence services, and the suspicion in the presidential palace Casa Rosada is that the SI had been drip feeding the judges information they were using to hassle Kirchner officials. In an apparent response to the personnel change, one magistrate has already agreed to postpone his questioning of Alak over the nationalisation of Aerolíneas Argentinas. An anonymous ministry of justice source, quoted in the local press, said the changes were designed to "show the President still holds the initiative, even in her last year in office".

Parrilli is one of several trusted *Kirchnerista* politicians, known as *pingüinos*, officials who served under Kirchner when he was governor of Santa Cruz (1991-2003) and came with him to Buenos Aires. He was replaced as secretary general of the presidency by Aníbal Fernández, an outspoken *Kirchnerista* stalwart, who has been serving in the senate since 2011. There is no shortage of speculation in the local press about the motive behind the decision by President Fernández to bring back her namesake. It is an open secret that Peronist heavyweights have looked askance at the rise and rise of La Campora, the militant youth movement led by her son Maximo which managed to gain the plum post of economy minister through Axel Kicillof. Anabal Fernandez will be much more to their tastes.

Mercosur summit

At the official opening of the Southern Common Market (Mercosur)'s 47th summit in the city of Parana in the Argentine province of Entre Ros, President Fernandez formally transferred the bloc's pro tempore presidency to her Brazilian counterpart Dilma Rousseff. In a speech to mark the occasion, Fernandez said, "Despite the difficulties we have had, we have showed that it is impossible to integrate to the world if we are not previously integrated within the region."

Chile cuts growth forecast

On 15 December Chile's central bank (BCCH) presented its quarterly report on monetary policy (IPoM) in which it forecast 1.7% growth for 2014, down from its September forecast of 1.75%-2.25%. It also cut the September forecast of 3%-4% growth for 2015 to 2.5%-3.5%. The BCCH's economic activity indicator index (Imacec), a GDP proxy released on 5 December, showed that economic activity rose by just 1.5% year-on-year in October, resulting in a rolling 12-month rate of 1.4%. Chile posted real GDP growth of 4.1% in 2013, down from the 5.4% posted the previous year.

BRAZIL | André Vargas stripped of office. On 10 December, André Vargas, a former congressional deputy from the ruling Partido dos Trabalhadores (PT) was stripped of his parliamentary status over his links with Alberto Yousseff, the black market money dealer at the centre of 'Operation Car Wash', the investigation into the corruption scandal at the state-dominated oil giant Petrobras.

Vargas was voted out of office by 359 votes to one (with six abstentions). As he was not re-elected in October, Vargas was due to leave congress at the end of this term. If the 'Clean Slate' law is applied to his case, Vargas may be barred from running for office for the next eight years.

URUGUAY | Negative third quarter growth. On 15 December Uruguay's central bank (BCU) released its latest economic growth figures, which showed that seasonally adjusted GDP growth contracted by 0.4% in the third quarter of 2014 compared with the previous quarter.

Although year-on-year growth in the third quarter was a positive 3.7%, the latest BCU figures serve as a warning for President-elect Tabaré Vázquez and his incoming new Frente Amplio (FA) administration, which is due to take office on 1 March 2015.

The yearly growth figure may still be above the projected regional growth average for the year, but negative growth in the third quarter suggests that Uruguay's economy is also starting to suffer the effects of the fall in commodity prices and rapid appreciation of the US dollar that is affecting the region's larger economies. It will be up to Vázquez's new cabinet to come up with policies that will help ensure domestic economic growth in this more challenging international economic scenario.

According to the BCU, the third quarter contraction was the result of "negative performance" in the majority of economic sectors during the period, driven by year-on-year quarterly falls in the levels of domestic consumption (-0.2%) and exports (-3.4%). While the drop in exports was more pronounced, consumption has been steadily falling for the past four consecutive quarters.

The BCU pointed out that the overall slowdown in economic activity in the third quarter was "partially compensated for" by the strong performance of the industrial sector (10.1%). But local analysts point out that the industrial sector's performance is mostly explained by the one-off boost produced by the coming on stream in June of the Montes del Plata pulp processing plant (the second and largest of its kind in the country) and that no such boon is expected in the short to medium term.

Gabriela Mordecki, the director of the economic institute at the Universidad de la República (Udelar), predicts that the 'Montes del Plata effect' will gradually wear off throughout 2015, resulting in a deeper slowdown. Indeed Mordecki said that the lower levels of economic activity observed in some key sectors, such as exports, construction and investment, will be exacerbated and its impact "more strongly felt in 2015".

In particular, Mordecki pointed out that lower international prices for some of the country's main agricultural exports (such as soy and wheat), and the "more adverse" economic scenario faced by some of Uruguay's largest trading partners such as Brazil, Argentina and Russia, provide a more gloomy outlook for the Uruguayan economy. Other local analysts such as Pablo Rosselli of consulting firm Deloitte have already cut their 2015 growth forecast from 3% to around 2.5%.

The release of the BCU's latest figures came a day after Vázquez and his cabinet team held the first transition meeting with the cabinet led by President José Mujica. Reportedly, they discussed the continuation of "general policy lines", particularly in the nine ministries (out of 13) where Vázquez opted to bring in new faces, including the ministries of economy & finance, which will be taken over by Vice-President Danilo Astori (who held this cabinet position during Vázquez's first administration); social development, to be taken over by Marina Arismendi; and labour, where Ernesto Murro will be in charge. All three of these incoming ministers hail from the FA's more moderate and economically conservative wing.

POSTSCRIPT

Quotes of the year

“I do what I can [...] if a door opens I try and sneak through, but I’m not God. I’m trying to take diplomacy as far as possible.”

*Uruguay’s President
José Mujica*

“Overcoming poverty is the region’s moral imperative because democracy without opportunities is just elections.”

*Ecuador’s President
Rafael Correa*

“Israel doesn’t kill by mistake but by horror; they have destroyed over 50 synagogues, sorry I mean over 50 mosques.”

*Venezuela’s President
Nicolás Maduro*

“The armed forces are ready to make democracy.”

*El Salvador’s Norman Quijano, presidential candidate for the right-wing opposition
Arena disputes the adverse*

A peaceful December in Argentina?

For the last two years, December in Argentina has been marked by unrest. Police officers in various provinces have gone on strike over pay, prompting some looting. Power cuts, triggered by summer heatwaves, have added to the sense of unease. This year, however, Argentines should expect to enjoy a “peaceful end of year”, according to Sergio Berni, the national security secretary.

“Along with the authorities of the Province and the City of Buenos Aires, we have planned a strong operation to guarantee traders that they can work without any inconvenience,” Berni said. “Argentines deserve to have a December in peace and with an atmosphere of festivity. People want to live quietly; we will have an end of year in peace as it should be because we have set up a response system in case some crazy people try to create chaos.”

Leading opposition trade unionists had appeared willing to continue the trend for protest: they had promised to stage a general strike on 10 or 11 December over the government’s unwillingness to raise the income tax threshold to account for the rise in inflation [WR-14-48].

The government tried to avert this strike by acceding to the demands of more sympathetic trade union leaders; namely, by declaring that the ‘aguinaldo’, the December bonus salary, will be tax free.

Although this year has yet to see a repeat of the civil unrest of the Decembers of 2013 and 2012, the month is not yet over. Opposition trade unions initially said they would strike again, but not until March. However, Hugo Moyano, the leader of the anti-government faction of the umbrella trade union Confederación General del Trabajo (CGT), is now threatening to call a 24-hour strike because transport business leaders have indicated they may not pay the bonus. Although the focus of the protesters’ ire would not in this case be the government, the strike could still cause considerable disruption across the country during the Christmas holiday period.

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