CANNING HOUSE EDITION

latin american weekly report

03 December 2015, WR-15-48

ISSN 0143-5280

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This edition of *Latin American Weekly Report* has been produced for Canning House Corporate Members by LatinNews (www.latinnews.com).

Latin American Newsletters since 1967

Threats turn to action as Brazil begins impeachment process

After months of tortuous political uncertainty, an impeachment process will begin against Brazil's President Dilma Rousseff. Eduardo Cunha, the speaker of the federal lower chamber of congress and fierce opponent of Rousseff, finally took the plunge on 2 December and went ahead with what he has long threatened. What appears to have pushed Cunha over the edge is the increased likelihood that he himself will be stripped of his post for lying to congress. On the face of it, the impeachment process is unlikely to succeed, but whatever the ultimate outcome the proceedings mean congress will be focused more on Brazil's political crisis than on its increasingly disastrous economic performance.

Earlier on the fateful day Cunha opted to commence the impeachment process against President Rousseff, three deputies from the ruling left-wing Partido dos Trabalhadores (PT) had indicated they would vote for an inquiry into his behaviour at the ethics committee of the lower chamber. This could have been decisive in persuading him to move.

Shortly before making his announcement, Cunha telephoned Michel Temer, the vice-president, and Renan Calheiros, the president of the senate. All three men are from the Partido do Movimento Democrático Brasileiro (PMDB). Brazil's largest party has long been content to play the role of kingmaker rather than monarch, but that appears to be changing. With at least four separate factions within the party, the PMDB has been divided over its support for the PT; it now appears to be readying itself for Temer's ascent to the presidency.

Before that happens, however, the impeachment request has to pass several significant obstacles. First, a special committee will be formed in the next 48 hours to discuss the impeachment request, which is based on the accusation that Rousseff violated the law of fiscal responsibility by illegally borrowing money from public banks to cover up a budget shortfall in 2014. Then, Rousseff will have 10 congressional sessions in which to make her defence. After that the committee will prepare a report, to be voted on by a full plenary session of congress.

If two-thirds vote to support impeachment then proceedings will go ahead. In that case, Rousseff would have to step aside, and Temer will take over as president. The senate would have 180 days to discuss impeachment. If, at the end of the deliberations, two-thirds approve the request, Rousseff would be ousted. At present, the two-thirds threshold of 342 out of 513 deputies seems like a tall order in the lower chamber, and, until last week, it seemed a virtual impossibility in the senate.

However, with the arrest on 26 November of the PT senator Delcídio do Amaral over attempting to pervert the course of justice in the investigation into corruption at the state oil company Petrobras, 'Operation Car Wash', and his subsequent abandonment by the party hierarchy, the extent of government support in the senate is now questionable. In particular, if Do Amaral proves willing to engage in plea bargaining with prosecutors he could provide more evidence against senior government figures that could destroy its last vestiges of support in the lower chamber of congress.

In televised comments after Cunha's announcement, Rousseff robustly defended her actions. "I have received with indignation the decision by the head of the lower chamber to [commence] the impeachment process," Rousseff said. "There has been no wrongful act committed by me, nor is there any suspicion that I have misused public money."

Notably, Rousseff drew comparisons between her own conduct and that of Cunha, who is accused of siphoning off millions of dollars from Petrobras contracts to secret Swiss bank accounts. "I've committed no illicit act," Rousseff said. "I don't have any offshore bank accounts; I have no hidden assets," she added pointedly.

Cunha

While the evidence against Eduardo Cunha's wrongdoing is compelling, it is also worth noting that his declared income has risen over 1,000% since he became a federal deputy 16 years ago.

Politics, not justice

The trouble for Rousseff is that no one is accusing her of personal corruption. Impeachment will be more a political than a legal question. The president's approval ratings remain in single figures; Brazil has just posted its worst economic performance for a quarter in two decades on 1 December; unemployment and inflation are rising; government spending is being cut while taxes are rising.

Almost all Rousseff's policy levers are jammed. Despite a return to economic orthodoxy in 2015 after years of generous spending, recovery appears a long way off. With impeachment proceedings likely to drag on until June 2016, the short-term prospects for both Rousseff and Brazil look grim indeed.

From recession to depression

The economy shrank by 1.7% in the third quarter of 2015, according to figures from the official statistics agency (Ibge). This follows a contraction of 2.1% in the second quarter and a fall of 0.8% in Q1. Year-on-year, Brazil's GDP shrank by 4.5%. Alberto Ramos, the chief Latin American economist at Goldman Sachs, wrote in a report to clients that Brazil "is now mutating into an outright economic depression". Ramos now expects the Brazilian economy to shrink 3.6% this year and by 2.3% in 2016.

Pretty much all of the country's main economic indicators show signs of deterioration. Unemployment rose to 7.9% in September, up from 4.7% in October last year. Inflation is now running at over 10% for the first time since 2002. Brazil's government budget deficit is now 9.5% of GDP.

Speaking to the daily *O Estado de São Paulo* on 2 December, Mário Mesquita, a former director at the central bank, said that the economic crisis "is not even halfway over". He said he expected unemployment to reach 12% next year. "With the crisis, the social situation is likely to deteriorate and this will have a political impact," Mesquita said.

The latest data shows the dimming of the few bright spots in the Brazilian economy. Agriculture contracted 2.4% compared with the previous few months, while industry fell 1.3% and services dropped 1%. Household consumption has registered the first year-on-year drop since the PT came to power in 2003. The third quarter shows a decline of 1.5%. Investment was also down, by 4%, between July and September.

Brazil is not the only country to be suffering from the effects of China's slowdown and the end of the commodities super cycle. However, a survey of 42 economies by Austin Rating, a Brazilian rating agency, showed Brazil had the second-worst GDP performance for the third-quarter of 2015, beaten only by war-torn Ukraine's fall of 7%.

Many of Brazil's problems are of its own making. Public spending surged in the wake of the global financial crisis of 2008, and at no point did the government attempt to rein it in despite the darkening clouds on the horizon. Indeed, last year, the government ramped up spending as part of its efforts to secure Rousseff's re-election.

In her first term, one of the Rousseff's proudest boasts was the lowering of Brazil's eye-wateringly high interest rates, to a record low of 8.5%. Now, however, with inflation rising, the central bank confirmed on 25 November its decision to keep the Selic, Brazil's benchmark interest rate, at 14.25% (*see sidebar*). Many expect that figure to rise again in 2016.

High interest rates are inhibiting both businesses and consumers. Real wages have been falling since March, while the unemployment rate keeps climbing. Costs for fuel, electricity and water are all rising, as is the country's tax burden as the government attempts to plug the hole in its accounts. According to the Fundação Getulio Vargas, consumer confidence is now at its lowest level since tracking began in 2005.

Joaquim Levy, the University of Chicago-trained finance minister, was brought in specifically to balance the books and calm the markets. He has succeeded in slashing R$70bn (US$18.25bn) from the government's discretionary spending, but given that over 90% of government spending is ring-fenced, requiring either congressional approval or constitutional change to adjust it, the impact of his work is limited. As the currency declines in value, Brazil's US$230bn dollar-denominated debt becomes ever more expensive.

On the mildly positive side, Brazil's pile of public debt is relatively low at 66% of GDP. There are some glimmers that the collapse in investment appears to be tailing off. The country is unlikely to return to the hyperinflation of the past. Or as Capital Economics put it in a note to clients: "Things have been so bad this year that they can't get worse in 2016."

Congress approves new fiscal target

Almost lost amid the bleak news for the government of the impending impeachment process was one very welcome development. The lower chamber of congress approved the government's new fiscal target for 2015, which is necessary in the face of Brazil's deteriorating economic situation, meaning that Rousseff will not be in violation of the law of fiscal responsibility this year, at least.

Neves backs impeachment

Senator Aécio Neves, the defeated presidential candidate of the opposition Partido da Social Democracia Brasileira (PSDB) in the last elections, tweeted his support for the impeachment request, arguing that "Everyone in the country must obey the law, especially the president".

"The head of the lower chamber took the appropriate decision in accordance with the constitution," Neves said. Neves went on to say that the executive had been "falling down for some time as a result of its incoherence and irresponsibility" and was "not equipped in the slightest to pull the country out of the current crisis".

Interest rates

The decision by the central bank's monetary committee (Copom) to keep the Selic, Brazil's principal interest rate, unchanged at 14.25% was not unanimous. Two members of Copom voted for a rise, and six voted in favour of no change. In October, 12-month inflation passed the 10% barrier, well above the top range of the official target: 6.5%. The next Copom meeting will be on 19 January.

BRAZIL | ENVIRONMENT

Government sues Samarco, Vale and BHP Billiton

The Brazilian government has filed a lawsuit against Samarco Mineração, the company responsible for a fatal and environmentally devastating dam collapse at its iron-ore mine, as well as its parent companies, Vale and BHP Billiton. Lawyers for the government are seeking R$20.2bn (US$5.2bn) in damages over a period of 10 years, including an immediate deposit of R$2bn (US$520m). Samarco has already agreed to set up a R$1bn emergency fund for cleaning and compensation costs. On top of this, the company has also been hit with a R$250m (US$66m) fine by the federal environmental agency, Ibama. Prosecutors are now openly assessing the possibility of Samarco's bankruptcy in the wake of what the Brazilian government is calling the country's "worst environmental disaster".

In the documents filed on 30 November, lawyers for the government said they were seeking to ensure adequate compensation for the thousands of people living along the Rio Doce whose livelihoods have been destroyed by the tide of toxic sludge that flowed down the river into the Atlantic in the weeks following the dam's collapse on 5 November. Lawyers also asked a federal judge to set aside 50% of the net profit or 20% of the annual revenue of Samarco – whichever is the greatest – for a special fund. Samarco reported gross revenue of R$7.6bn (US$1.9bn) in 2014. If Samarco is unable to foot the bill, they requested that Vale and BHP Billiton be required to pay.

Investigation

Of the 22 state deputies in the state of Minas Gerais investigating the dam collapse near the colonial city of Mariana, 19 took money from mining firms for their election campaigns in 2014.

BHP Billiton responded to the news by stating that it would examine the case "in due course". Vale expressed surprise at the government's decision "given that Vale, BHP Billiton and Samarco have displayed an openness to dialogue". At a presentation for investors on 1 December, Vale said the clean-up costs for the company could reach US$443m, but that estimate does not include legal costs. The company's general counsel, Clovis Torres, also said that the river might have been heavily polluted before the accident, indicating it is likely to challenge the government's claims.

Torres also argued that Samarco was a significant company in its own right. "It has the resources to pay for the eventual damages that have been caused by its operations," he said. Both Vale and BHP Billiton have attempted to distance themselves legally from Samarco over the previous weeks. A few days earlier, however, Vale admitted for the first time the presence of toxic elements in the Rio Doce as a result of the cascade of mining residue.

The Brazilian government had backed Vale, with its tests of the Rio Doce showing that there was no increase in the presence of heavy metals in the water and sediments. But tests by a municipal water agency, sent to the United Nations special rapporteur on hazardous substance and waste, showed high levels of toxic substances, including arsenic, lead, aluminium, chromium, nickel and cadmium had been found at various points along the river. Vania Somavilla, a director at Vale, said the mudslide may have disturbed toxic elements on the river bed.

On the same day as the presentation, Fitch, the credit ratings agency, lowered the credit ratings of both Samarco and Vale. Samarco was stripped of its investment grade, falling from BBB to BB-, while Vale was lowered to BBB+ with a negative outlook. In a note accompanying its decision, Fitch stated, "there is a high degree of uncertainty relating to the various implications for the credit profile of Vale, given the possibility of supporting its joint venture with BHP Billiton".

On 2 December the Brazilian press revealed that Samarco had registered at least three other accidents at the same dam complex prior to November's accident. All were related to breakages in the pipe that transports the iron ore from the mine to Espírito Santo, the coastal state from which the product is exported. Thirteen people are confirmed dead and another 11 are still missing following the accident. Residents of several cities along the length of the Rio Doce are still without drinking water.

ARGENTINA | POLITICS & ECONOMY

Macri rails against Fernández profligacy

President-elect Mauricio Macri formally presented the members of his cabinet team to the press this week on an occasion during which he had firm words for President Cristina Fernández. Not only did Macri accuse Fernández of failing to cooperate with him over the transition period leading up to his taking office on 10 December but he also said he had the distinct impression that she was actively trying to see "how many problems and obstacles" she could create for his government. Macri was referring to the Fernández administration's rush to push through congress some 80 legislative initiatives, and its decision to ramp up spending.

Macri told the press his cabinet appointments represented "the best team in the last 50 years" and possessed the requisite qualities of dedication, coordination, teamwork, good communication and honesty. He then took direct aim at the team they will be replacing, accusing the present government of "mismanagement" and increasing spending and debt: "Nothing satisfies them: debts are appearing everyday, new appointments everyday."

Macri is annoyed because he sees an enormous economic challenge being made even more difficult by the day because of President Fernández's actions. On 30 November Fernández issued a decree increasing the budget by a massive AR$133bn (US$13.7bn) this year for, among other things, spending on salaries and energy subsidies (which Macri has pointedly said he wants to phase out). Not content with hollowing out state coffers just before Macri assumes office, Fernández also announced a debt issuance of AR$11bn (US$1.14bn) to take effect on 9 December, the day before his investiture; she set about appointing more officials; and she sent a series of costly initiatives to congress for approval.

The reason for the government's haste to win approval for 80 new laws during the short transition period is because, while it will remain the dominant force in congress (especially the senate) after Macri's inauguration, the *Kirchnerista* Frente para la Victoria (FPV) will lose its absolute majority in the lower chamber after this date. On 26 November the FPV managed to win approval for a controversial bill to create a state entity, Yacimientos Carboníferos Fiscales (YCF), requiring a disbursement of AR$5bn (US$518m) from state coffers (which is not in the 2016 budget) for the southern province of Santa Cruz. This is the birthplace of *Kichnerismo* where the governor-elect is Alicia Kirchner, Fernández's sister-in-law.

This rash of spending will put serious pressure on Macri's early economic policies. Macri accused the government of causing some significant price increases over the last two weeks. The economy minister, Axel Kicillof, struck back, attributing the price increases to the fear of "economic shock tactics and devaluation" threatened by the incoming government.

Part of Macri's strategy to reduce the fiscal deficit is to increase exports by providing greater incentives for production. His future agriculture minister, Ricardo Buryaile, has made clear that export tariffs for maize (20%) and wheat (23%) will be eliminated the day after Macri takes power; meat export

Income inequality increased

Sergei Soares, the president of Brazil's economic institute Instituto de Pesquisa Econômica Aplicada (Ipea), has compiled an analysis of Brazil's income inequality showing that inequality is getting worse in the country. In the second quarter of 2015 the Gini coefficient was 0.5060 and in the third quarter it was 0.5178.

quotas and a 15% export tax will be removed; and the 35% export tax on soya reduced to 30%. Buryaile predicted that the measures would see production increase by 50% to 150m tonnes, and that rebuilding trust with the country's four main farming unions (bitterly opposed to *Kirchnerismo*) was essential to lift the economy out of the doldrums.

Brazil-Chile accord

The new Brazil-Chile cooperation and investment agreement seeks to promote and facilitate bilateral investment through the establishment of special treatment for investors and investment, and institutional cooperation. Brazil's industry, development & foreign trade minister, Armando Monteiro, said the accord represents an "extraordinarily important step, which will create an institutional environment more receptive to the establishment of companies in both countries".

It is also possible to discern some political objectives behind Macri's economic pragmatism. Macri announced that José Cano, a member of Macri's coalition partner Unión Cívica Radical (UCR), would run an ambitious investment programme dubbed 'Plan Belgrano' which will be launched in 10 provinces in northern Argentina. Cano, who narrowly lost the gubernatorial elections in the province of Tucumán earlier this year, will have ministerial rank and answer directly to the cabinet chief.

The plan is designed to demonstrate that Macri's incoming government will place an emphasis on social justice, and that this is not the preserve of the outgoing Fernández administration. The aim of the plan is to spend some US$16bn over 10 years to boost social development, production, and infrastructure, bringing economic growth and greater equality and opportunities to the provinces of Salta, Jujuy, Tucumán, La Rioja, Catamarca, Misiones, Corrientes, Chaco, Formosa, and Santiago del Estero. Macri lost to Daniel Scioli in seven of these 10 provinces in the presidential run-off, in many cases heavily. The influx of public funds could go some way towards winning over the public and opposition governors, who Macri plans to meet the day after taking office.

TRACKING TRENDS

CHILE-BRAZIL | **Cooperation and investment agreement.** Last week Chile's foreign ministry released a statement announcing that Chile and Brazil had signed a bilateral investment cooperation and facilitation agreement (ACFI), the first such accord between the two countries. According to the statement, the accord was signed by Chile's foreign minister, Heraldo Muñoz, and Brazil's industry, development & foreign trade minister, Armando Monteiro, who was on an official visit to Santiago (*see sidebar*).

PARAGUAY-URUGUAY | **New bilateral local currency payment system.** On 26 November the president of Paraguay's central bank (BCP), Carlos Fernández Valdovinos and the president of the central bank of Uruguay (BCU), Mario Bergara, undersigned a new bilateral payment system agreement (SML) that will allow for transactions made between the two countries to be carried out in each other's local currency.

A BCP statement said that the signing of the agreement – which came during the 30th meeting of South American central bank presidents held in Asunción – was important in the process of "integrating and strengthening the existing links between the two institutions". The new agreement should also help to strengthen bilateral economic and financial integration between the two Southern Common Market (Mercosur) founding member countries.

As the director of the BCP's statistical department, Walter Zárate, explained "the objective of the agreement is to reduce the costs of transactions and diminish the implicit costs associated with exchanging currencies by avoiding having to go through the US dollar". Zárate went on to say that the SML will support any kind of transaction between individuals or corporations, such as money transfers and trade operations, are made in the local currency of each recipient country.

The BCP has also highlighted that the agreement is within Mercosur's framework of promoting deepening economic integration among its members; and that in the future similar arrangements could be made with Argentina and Brazil.

Significantly, the deal was signed after Uruguay's finance & economy minister, Danilo Astori, conducted an official two-day visit to Paraguay on 24 and 25 November in which he met President Horacio Cartes.

VENEZUELA | POLITICS

Opposition aspires to magic number

What could the opposition Mesa de la Unidad Democrática (MUD) do with (an expected) simple majority in the unicameral national assembly? The Venezuelan constitutionalist Hermann Escarrá, who helped draft the 1999 constitution introduced by the late president Hugo Chávez (1999-2013), makes the point that while Venezuela is not a parliamentary system, neither does it have the kind of "exaggerated" presidentialist system found in other countries, because the *Chavista* constitution in fact assigns the legislature a concrete set of attributes and competencies that allow it to exert strong control. Therein lies the importance of the 6 December vote, he notes.

With a simple majority (84 of the 167 seats), the MUD first and foremost could appoint the national assembly leadership, which will sit from 5 January 2016 and on which the opposition has never yet sat under *Chavismo*, given the dominance of the ruling Partido Socialista Unido de Venezuela (PSUV). The powerful president of the five-strong assembly leadership is the PSUV second-in-command Diosdado Cabello, with Deputy Elvis Amoroso as vice-president and Tania Díaz as second vice-president (both also PSUV). Given Cabello's control over the assembly, and his hostile attitude towards the opposition bench, the MUD would be unlikely to favour Cabello's continuation in the post. If he were to exit the assembly, Cabello would most likely return to a senior post in the cabinet in an anticipated overhaul in the New Year ahead of a new package of economic reforms that President Nicolás Maduro has already signalled are in the pipeline.

But certainly, a simple majority for the MUD should, at least on paper, oblige a negotiated settlement if the two sides are to cohabitate peacefully between now and 2018, when the next presidential elections are due. There is a line of thought that this could be quite a convenient scenario for Maduro, as it would allow him to accept defeat with grace, while also forging a new coalition across which the political and social costs of reform could be spread from next year. This 'co-habitation' scenario would also re-legitimise the Maduro government's position internationally.

Another of the MUD's expected first acts with a simple majority would be to approve an amnesty law for the various politicians currently in jail or under house arrest, the most high profile of which is Leopoldo López, leader of Voluntad Popular, given a 14-year prison sentence in September on what even one of the two senior state prosecutors (now in the US) has said were trumped-up charges.

Elsewhere, a simple majority would give the MUD the ability to appoint magistrates to the country's supreme court of justice (TSJ), as well as the comptroller general, the prosecutor general, and potentially also the public ombudsman. Together, this trio of powers is known as the 'Poder Ciudadano' under the 1999 constitution and the opposition alleges that the PSUV has stuffed these offices with party stooges for the past decade or more.

However, the Maduro administration looks to have pre-empted this scenario by recently appointing new TSJ magistrates ahead of time, presumably in a bid to retain sympathetic judges on the TSJ. This could prove important should Maduro seek to wield his veto power over MUD-proposed legislation, for example, as the ultimate arbiter in the case of a stand-off between the assembly and the president is the TSJ. A simple majority would also give the MUD the power to approve or veto both the annual budget and the

Venezuela a ticking bomb says Capriles

The moderate opposition leader and twice-former presidential candidate Henrique Capriles Radonski told Spain's *El Mundo* on 1 December that he saw the legislative elections not as a plebiscite [on the left-wing government] but as an "escape valve" that will allow Venezuelans "to speak" in the face of "huge social tension" that he said was "the product of the economic deterioration". The situation "is a bomb that could explode" he warned, adding that he did not want it to explode. Capriles suggested that President Maduro was capable of "wanting a coup d'etat" to retain power; however he warned that if Maduro tried to radicalise it would backfire and could precipitate his early exit from power.

Clinton wades in

"As the people of Venezuela go the ballot box this weekend, it is really up to all of us in this hemisphere to ensure their will is respected, and that responsibility begins with the Maduro administration...which to date has been doing all it can to rig these elections", the leading contender for the US Democratic Party's 2016 presidential nomination, Hillary Clinton, stated on 30 November. "Our voices need to be raised on behalf of the people of Venezuela.... They are not alone. They deserve every opportunity to have the same choices and chances that everyone in this hemisphere is finally seeing within grasp." Clinton also expressed outrage at the "cold-blooded assassination" five days previously of the opposition candidate Luis Manuel Díaz. Following the arrest of three suspects, Venezuelan authorities insisted that the crime was linked to local mafia turf wars, and was not politically motivated.

extraordinary budget funds that the executive so regularly requests (and which latterly now swelled to 50% of the budget), a fact that has prompted Maduro's loud warnings to *Chavista* voters that they could stand to lose their generous social welfare benefits under a MUD-controlled assembly.

In the event that the opposition beats all expectations to take a three-fifths majority (99-100 seats), the options open up considerably, to include the ability to revoke presidential decree powers – which the outgoing assembly is widely expected to award to Maduro for another extended period before it leaves office on 4 January – and the power to censure/remove the vice-president and cabinet ministers.

Finally, with a two-thirds 'supermajority' (111 seats), by consensus a highly unlikely outcome, the MUD would also be able to review and repeal laws, treaties and international agreements to which the state is a signatory. It could also remove judges found to have committed 'serious errors' by the Poder Ciudadano. Most notably, a two-thirds majority gives the Venezuelan legislature the power to dissolve other branches of government – including the executive – and replace them with temporary appointees.

Final polls suggest a tightening race

As the campaign draws to a close, Maduro and the rest of the government have moved to take the moral high ground, accusing the opposition of conspiring to call electoral fraud and of planning to instigate violence. Maduro has been in full presidential mode, making major new housing and infrastructure announcements, while complaining that just six of the 65 opposition deputies bothered to turn up for the assembly's final vote on the bumper 2016 budget – approved rapidly without amendment (with all six opposition representatives voting against).

Maduro's last ditch *Chavismo* has had an effect – according to a new Datanálisis poll, his approval rating has jumped by over 11 percentage points in recent weeks to 32.3%. Nonetheless the MUD still has 55.6% of voting intentions, compared to 36.8% for the PSUV, according to Datanálisis. As in other recent polls, the margin between the two sides appears to have narrowed during the official campaign period (reflecting if nothing else the still-impressive might of the PSUV's electoral machine, honed over the past 15 years) and all pollsters now suggest a closer race. It appears that although Maduro has managed to win back some disillusioned *Chavistas*, nonetheless anywhere between 10% and 20% are still fence-sitting on the eve of the vote.

In this context, it is worth remembering that six urban states, comprising 52% of the 19m-strong electorate and in which the opposition typically fares the best, will elect only 64 deputies; the other 18 states, including those over-representative rural districts in which the PSUV holds sway, will elect 100 (with indigenous representatives assigned a further three seats). Venezuelan political scientists agree that in order to make the gains it needs to reach the coveted 84 seats, the MUD will have to hold its own constituencies, win all the swing seats and *also* make sizeable inroads in PSUV-held rural areas. It is no small challenge. The narrowing poll gap also suggests the possibility of a mixed opposition in the assembly, with the MUD having a basic simple majority (the bare 50%) and potentially a further 10% or so held by independents and/or smaller left-leaning parties that remain sympathetic to the social tenets of the Revolution, and with which Maduro can forge working relations.

The national electoral council (CNE) has announced that it will only release the results when they are "irreversible", which could mean a tense delay – potentially extending into Monday – pending a final verdict. The Venezuelan military is deploying 163,000 soldiers to oversee the entire process, and guarantees a "democratic fiesta" on Sunday.

Peace when white smoke shows

Negotiators in the peace process taking place in Cuba will shortly head into a kind of papal conclave in order to expedite talks which are due to be concluded next March. Unlike cardinals electing a new pope in the Vatican, the peace negotiators will get to leave the confines of the Palco hotel in Havana where the talks are taking place before the chief negotiators emerge on to the balcony to announce 'Habemus pacem' to the waiting world, but the conclave is designed to pick up the pace of the negotiations markedly.

President Juan Manuel Santos revealed that he had sent his brother Enrique Santos as his personal envoy to meet the maximum leader of the Fuerzas Armadas Revolucionarias de Colombia (Farc), 'Timochenko' (Rodrigo Londoño Echeverri), in Cuba to propose replacing the current structure of the negotiations, consisting of distinct 'cycles' with hiatuses, and to move to "a sort of conclave and not leave there until all the points being negotiated are resolved". In a message on *YouTube* 'Timochenko' accepted the proposal from Enrique Santos, who played a key role in the exploratory talks with the Farc three years ago and even published a book ('Así empezó todo') about it. 'Timochenko' advocated the creation of an executive leadership of the conclave.

The Santos administration has made two significant gestures to the Farc over the last two weeks as a sign of its commitment to peace and to push the peace talks towards a denouement. Firstly, it pardoned 30 imprisoned Farc guerrillas and transferred 106 further guerrillas to undergo health checks. This followed a request by the Farc secretariat last month to release 81 guerrillas it said were in "a delicate state of health". 'Pablo Catatumbo' (Jorge Torres Victoria), a member of the Farc secretariat on the guerrilla negotiating team, described the government's action as "a sensitive humanitarian gesture…to downscale the conflict", although he went on to decry the prison conditions endured by guerrillas while "white collar criminals, politicians with links to paramilitaries, drug-traffickers and fraudsters live in little palaces, or jails like 5 star hotels".

Secondly, the government refused to extradite a Farc guerrilla to the US for the first time because of the peace process. 'Misael' (Juan Vicente Carvajal) is wanted by the US for drug-trafficking but President Santos refused the request, officially because of the advanced stage of talks with the Farc. But Santos is also acutely aware that one of the Farc's principal and most long-standing demands, which has complicated talks, is for the release of 'Simón Trinidad' [Juvenal Ovidio Ricardo Palmera], a senior Farc guerrilla extradited to the US in 2004

Despite these gestures the government is being careful not to offer up too much to the Farc. On 1 December it pointedly rejected a Farc proposal to create special demilitarised zones (Terrepaz) with a degree of autonomy in which guerrillas could safely demobilise and carry out community work while making the transition to a political movement. "We are not in this process to divide the country or to hand over ungovernable territories," General Jorge Enrique Mora, one of the government negotiators, said. "Our constitution…speaks of one whole and indivisible Colombia," Mora added, dismissing the idea as a Farc flight of fancy. Mora was also critical of the Farc's other most recent proposals, including transforming the national security doctrine and restructuring the armed forces and the police.

The Farc has also called for the creation of a specialised unit "to investigate and analyse the disbandment of paramilitarism" and to draw up "a geo-referenced map of counter-insurgency structures". Before the signing of a final peace accord and using this report as a starting point, the Farc said it would propose a plan of action to eradicate the paramilitary phenomenon (*see sidebar*).

Paramilitaries

The Farc suggested the drafting of "emergency legislation" to expunge paramilitary groups in Colombia completely and to prevent their re-emergence, and maximum sentences for those linked to paramilitaries and drug-traffickers. The Farc has legitimate concerns that demobilised guerrillas could suffer the fate of Farc guerrillas who set up the political party Unión Patriótica (UP) in 1985 after peace negotiations with the administration of Belisario Betancur. The UP was systematically exterminated by paramilitary groups.

TRACKING TRENDS

ECUADOR | **Austere 2016 budget approved.** The national assembly has approved a US$29.8bn budget for 2016 submitted by the government led by President Rafael Correa. The budget is a striking US$6.5bn smaller than this year's budget (and the smallest since 2012) – a reflection of the heavy impact that the fall in international oil prices is having on state finances.

The Correa administration has warned that the low level of revenues resulting from the depressed international price of oil – Ecuador's main source of revenue – would force it to make fiscal adjustments in 2016. Still, the government has been clear that the approved budget, based on an average oil price forecast of US$35 per barrel (/b), significantly lower than the US$79.7/b projected in the 2015 budget, meets the constitutional requirements of progressively increasing government spending in the areas of education, public health and science, technology & innovation.

The government recognised that low oil prices have led to a loss of approximately US$2.4bn in oil export revenues. All of this means that the central government's budget has been reduced to US$25.7bn from US$33.06bn and that the government is expected to post a fiscal deficit of 2.4% of GDP next year. According to a government statement, the Correa administration will seek to raise US$4.1bn from bilateral loans, credit from multilateral organisations, and through domestic debt in order to fully fund its 2016 budget. However, the statement adds that the budget also respects the constitutional provision that the public debt may not surpass 40% of GDP.

Significantly, the approved budget also stipulates that should oil prices recover in 2016, any windfall from this would principally be directed to social spending and in particular public health and child protection programmes rather than to other forms of government spending. The draft budget, which was approved thanks to the votes of the majority bench of the ruling Alianza País (AP) party, was criticised by the opposition. In particular, opposition deputies questioned the fact that the government expects that there will be a similar level of tax revenues in 2016 as this year (US$15.49bn) despite the low oil prices and the fact that the central bank (BCE) expects the domestic economy to post negligible growth of 0.4% this year, compared to 3.7% in 2014.

COLOMBIA | **Unemployment reaches 8.2% in October.** On 30 November Colombia's national statistics department (Dane) released a report showing that national unemployment reached 8.2% in October, which is 0.3 percentage points higher than the 7.9% registered in October 2014. Similarly, the figures show that the unemployment rate for the third quarter of the year (August-October) reached 8.7%, which is also 0.3 percentage points higher than during the same period in 2014. These marginal increases buck the overall downward trend in the unemployment rate observed since 2010 when President Juan Manuel Santos took office.

Santos has said that one of his main economic objectives (which he achieved) is to bring Colombia's historically high unemployment rate down to single digits. Government Dane director Mauricio Perfetti was keen to point out that, despite the creep back towards double digits, the level of employment in the country remains at a record high thanks to sustained job creation. According to Perfetti, "366,000 new jobs were created in October compared to the same month in 2014, in a context of high and stable employment and participation rates". Perfetti added that "It is the first time in the past 15 years that the country counts more than 23m employed people". This as in October the unemployment rate in the country's 13 main metropolitan areas was of 8.8%, a 0.1 percentage point increase compared to October 2014.

The three cities with the lowest unemployment rate in the third quarter were Bucaramanga (Santander department) with 6.6%, Montería (Córdoba) with 7.5%, and Tunja (Boyacá) with 7.6%. On the other hand, the three cities with the highest unemployment rate were Quibdó (Chocó) with 16.3%, Cúcuta (Norte de Santander) with 14.1%, and Ibagué (Tolima) with 12.4%. The sectors that created the most jobs in the third quarter were services, contributing 0.8%; retail, hotels and restaurants (0.5%); and the construction sector (0.2%).

Bilateral tax agreement talks

On 30 November negotiators from Colombia and Panama met in Panama City to start the seventh round of talks hoping to finalise the terms of a new bilateral double taxation agreement. According to a statement from Panama's foreign affairs ministry, the "negotiation's outstanding issues cannot be revealed due to the obligation from both side to maintain confidentiality in the negotiation". Colombia and Panama began negotiating the agreement in September 2014, when they set one-year time frame to conclude these. The new round of negotiations began after on 1 October Colombia's Finance minister, Mauricio Cárdenas, announced that the two countries had agreed to extend the negotiation period for another 60 days to try to reach a full agreement.

MEXICO | ECONOMY & ENERGY

Poor Pemex results as energy reform advances

Mexico's finance ministry has released the third-quarter financial results for the state-owned oil firm, Pemex. As has been the case throughout the year, the figures make for worrisome reading for the government led by President Enrique Peña Nieto. With Pemex's production failing to pick up significantly this year – even though ramping up production is one of the government's key objectives – and with international oil prices still low, the firm's revenues have taken a hit. All of this raises further questions about Pemex's ability to adapt and compete in what will become a more liberalised sector once the government's ongoing energy reform is completed.

Pemex's latest results were unveiled on 30 November. They showed that real revenues fell by 48.5% year-on-year in October. This brought cumulative revenues for the first 10 months of the year to M$654m (US$39.46m), 38% lower on annual terms. A statement from the finance ministry said that "This result is explained by the reduction, compared to the same period of last year, in the average export price of Mexican crude oil of 49.3%, going from US$93.1 per barrel (/b) in January-October 2014 to US$47.2/b in 2015".

The statement adds that these factors were "partially compensated by the depreciation in the [peso/US dollar] exchange rate". However, the finance ministry has also noted that the fall in Pemex's revenues is also coupled with the firm's failure to boost production significantly despite its efforts to revert a long downward trade. According to the figures, although Pemex's monthly production marginally increased by 0.4% to an average of 2.28m barrels per day (bpd) in October, there has been a cumulative 7.6% annual fall in oil production this year and an even larger 33.6% annual fall in natural gas production.

Since Pemex is one of the major sources of income for the Mexican state, the fall in its revenues is directly impacting the federal government's finances. According to the finance ministry, the fall in Pemex oil revenues translated into a 10.5% drop in federal government revenues in October compared to the same month last year. This in turn has resulted in the fiscal deficit increasing by M$24.5bn in October, bringing the cumulative fiscal deficit in January-October to M$490.5bn.

Reform moves ahead

Pemex's underwhelming performance this year raises further concerns about whether the firm will be able to cope with the competition that it will soon face from local and foreign private firms, which as part of the Peña Nieto government's flagship energy reform will be allowed to participate directly in hydrocarbon production in Mexico for the first time in over 75 years. Yet Mexico continues to move along decisively with the implementation of the reform as planned.

Concessions

On 30 November the national hydrocarbon commission (CNH), the sector's regulatory body, announced the formal signing of a production concession contract worth an estimated US$1.1bn with Italian energy firm ENI International. This was for the first hydrocarbon production bloc auctioned off by Mexico in the second phase of the current 'Round 1' of hydrocarbon concessions, which under the reform are opened to national and foreign private firms.

Mexico falls in oil production ranking

The consistent fall in production at Pemex has meant that Mexico has fallen three places in the global ranking of oil-producing countries in the last four years. According to rankings produced by Oil & Gas Journal and Energy Intelligence Group (PIW), Mexico has slipped from being the seventh largest global oil producer in 2011 to the tenth largest last year after falling behind Iraq, Kuwait, the United Arab Emirates and Venezuela. Pemex's average production in 2011 was 2.57m barrels per day (bpd), while in 2014 it was 2.43m bpd – 5.7% lower. Problematically, Mexico's ranking could fall even further this year, as Pemex forecasts that average production in 2015 will be 2.26m bpd.

A CNH statement said that following the signing of the contract, ENI, which until now has had no presence in Mexico, will begin exploiting its 'bloc 1' concession consisting of three oil fields located off the coast of Tabasco state, which contain 107m barrels of proved and probable reserves, and some 69m cubic feet of natural gas.

With the contracts for the three other concessions awarded by the CNH in phase two of Round 1 expected to be signed in coming weeks, on the same day the finance ministry announced that the CNH had set the minimum bid requirements for the third phase of the Round 1 concessions, the first to offer licence contracts in exchange for a share of pre-tax profits as opposed to production-sharing agreements auctioned in the previous two phases.

The finance ministry said that the CNH will require interested firms to submit bids offering pre-tax profits of 1%-10% to the state, as well as a minimum work commitment. However, unlike in the previous two Round 1 phases, firms bidding for the 25 onshore fields being auctioned in phase three will not be required to present an additional work investment programme over the minimum work requirement set by the CNH. This as the CNH endeavours to make the third-phase auction even more attractive for firms than the previous two rounds.

As with the previous two Round 1 phases, interest in the phase-three auction is high despite the low oil price. According to the CNH, 60 firms have applied to pre-qualify for the tender. While a majority of these are Mexican firms, Norway's Statoil and the US's ExxonMobil have also submitted applications to pre-qualify for the tender, which the government expects to conclude on 15 December.

While on the one hand the potential entry of new players in Mexico's hydrocarbon production sector will help to boost the country's production levels and generate additional revenue in royalties and taxes for the Mexican state, the arrival of new competitors raises some questions about Pemex's long-term future. In particular, if some of the new entrants to the sector prove to be more efficient (and potentially much better funded) than Pemex, the state-owned firm could increasingly find itself under pressure from its rivals and could struggle to compete with them for market position as well as for future production concessions.

Slim criticises use of oil revenues

On 30 November Carlos Slim Helú, the CEO of Mexico's Grupo Carso and the world's third-richest man, complained that Mexico had squandered the high level of oil revenue that it received for 40 years until it began falling a few years ago. Commenting on the current state of international oil prices during a business conference in Mexico City, Slim said Mexico has "wasted the high oil revenues since the end of the 1970s...there was a lot of money at the time...[with revenues of] US$20bn, US$30bn, US$40bn and we wasted it", Slim said, rhetorically asking where all that money had gone.

CARIBBEAN & CENTRAL AMERICA

REGION | POLITICS

General elections throw up surprises

Three general elections in the English-speaking Caribbean have dominated the sub-regional press this week: elections that have already been held but might have to be restaged; elections that are going to be held; and elections that were going to be held but will now be held later. In Trinidad & Tobago a legal ruling on 30 November permitted a petition by the opposition United National Congress (UNC) to challenge the results from general elections on 7 September to be heard; in St Vincent and the Grenadines, Prime Minister Dr Ralph Gonsalves is trying to secure a fourth term on 9 December at the head of the Unity Labour Party (ULP); and in Jamaica, Prime Minister Portia Simpson Miller has opted against holding widely anticipated snap elections this month.

Trinidad & Tobago

The Trinidad & Tobago Court of Appeal accepted the UNC had a case to lodge a legal challenge against action taken by the Election and Boundaries Commission (EBC) extending voting by an hour on 7 September due to "torrential rain". The UNC argues that the EBC not only exceeded its remit but also that its decision contributed to the People's National Movement (PNM) winning the elections (23 seats to 18).

The UNC now has to convince the High Court that the EBC's decision was illegal and detrimental to the party's interests, and that the results in six marginal constituencies should be declared null and void. It seems like a long shot but if the court were to order elections in these constituencies to be restaged and the UNC won three of them it would reverse the outcome of the general elections. UNC leader Kamla Persad-Bissessar said the ruling was "a victory for democracy".

"It seems like a long shot but if the court were to order elections in these constituencies to be restaged and the UNC won three of them it would reverse the outcome of the general elections."

St Vincent and the Grenadines

Meanwhile, in St Vincent and the Grenadines, Dr Ralph Gonsalves and the ULP, who have held power since 2001, are bidding for a fourth straight term. The ULP's majority in the 15-seat House of Assembly has progressively dropped since then and in 2010 it won by just eight seats to seven.

The latest opinion poll by the Caribbean development research services (Cadres) shows a 43%-28% lead for the ULP over the opposition New Democratic Party (NDP), but with 29% of respondents withholding their voting intention. The electoral campaign has also taken a salacious twist in recent weeks in the wake of the release of a tape on 8 November in which a man, alleged to be Gonsalves, can be heard having phone sex with a woman. Gonsalves insists the tape is a set up.

Jamaica

Finally, in Jamaica Prime Minister Simpson Miller, who intimated last August that elections could be held by the end of 2015, more than a year in advance of the constitutional due date, backed away, ostensibly because the public should be able to enjoy the Christmas break free of politics.

Recent polls have looked less favourable for the ruling People's National Party (PNP) than four months' ago. This has been attributed in part to the poor public reception to Simpson Miller's acceptance of an offer of money from British Prime Minister David Cameron during a September visit to build a prison to house Jamaican inmates repatriated from British prisons [WR-15-40].

PANAMA | POLITICS

Varela under fresh pressure over public corruption

The government led by President Juan Carlos Varela faces mounting popular discontent in Panama vis-à-vis public corruption. This after the approval of a new law slammed by civil society groups as promoting impunity (provisions of which have since been struck down by the supreme court of justice [CSJ] as unconstitutional), and the discovery of a corruption ring in the judiciary.

On 29 October the 71-member unicameral national assembly approved the so-called 'Ley Blindaje' ('the shield law'). Replacing previous 2012 legislation, the new law extended the timeframe to investigate criminal proceedings against the president, CSJ magistrates and deputies from two to four months before charges must be presented or the accusations abandoned altogether.

While legislators claimed that this was an improvement on the 2012 law, civil society groups such as Alianza Ciudadana Pro Justicia (ACPJ) and the political movement Movimiento Independiente por Panamá (Movin) as well as President Varela himself pointed to other provisions of the new law as cause for concern – namely the fact that it called for accusations to include elements of "conviction" – making it harder to prosecute.

The law's approval came despite the fact that Varela had vetoed some of its contentious provisions in mid October (following the law's initial ratification in September) which he argued amounted to unnecessary privileges for a select group, pointing out that for everyone else, investigations can take up to two years. Then, in a move welcomed by Varela, ACPJ, Movin and the national bar association, on 19 November the CSJ struck out altogether the shorter time frame to investigate as unconstitutional.

Transparency demands

On 15 November six political organisations and civil society groups – the Movimiento Independiente por Panamá (Movin), Agentes por la Paz Electoral (Apel), Centro de Incidencia Ambiental (CIAM Panamá), Centro de Innovación y Acción Social (SAIC Panamá), Consejo Nacional de Organización Comunitaria (Conadoc), and Espacio Encuentro de Mujeres – signed a letter calling for the process of picking the two new supreme court (CSJ) magistrates to be 'open and transparent'.

Judicial concerns

As well as the legislature, the judiciary has also come under scrutiny regarding corruption after 13 judicial officials were arrested on 12 November for various allegations which included the improper negotiation of bail agreements, the withholding of arrest warrants, the manipulation hearing dates, and the bribing of jurors.

Corruption in the judiciary had made headlines earlier this year when CSJ magistrate Víctor Benavides was forced to step down for alleged illicit enrichment and sexual crimes against minors. He became the second CSJ judge to resign since former CSJ president Alejandro Moncada Luna quit last year, also over corruption allegations. In an unprecedented move, last March a local court issued Moncada Luna with a five-year prison sentence for illicit enrichment and falsifying documents.

Focus on the judicial sector is likely to remain given the process is under way to appoint two new CSJ judges for 10-year terms to replace judges Harley Mitchell and Nelly Cedeño, (Benavides' substitute), as both of their terms are coming to an end.

The deadline to apply closed on 29 October and an ad-hoc executive commission comprising ministers of the presidency and interior (Álvaro Alemán and Milton Henríquez respectively) and presidential advisor Francisco Sierra has selected a shortlist of 10 from the 153 applicants who will be subject to a further interview process.

National strike

The need to address public corruption was one of various demands presented by Panama's powerful umbrella trade union movement, Frente Nacional por los Derechos Económicos y Sociales (Frenadeso), and other civil society groups which staged a national strike on 24 November. Protesters demonstrated outside the CSJ building to demand "justice for the poor", and against corruption and the high cost of living.

According to Saúl Méndez, the leader of the main construction workers' union, Sindicato Único Nacional de Trabajadores de la Construcción y Similares (Suntracs), which also took part, the strike paralysed more than 90% of worksites across the country – including the US$5.3bn Panama Canal expansion project. While the strike did not specifically target the Canal expansion project, the Panama Canal Authority (ACP) reported US$1m in losses.

Femicides – finally getting more attention

At least 1,678 women were killed for gender reasons in 2014 in 14 Latin American and three Caribbean countries, according to the Gender Equality Observatory for Latin America and the Caribbean, an initiative of the United Nations Economic Commission for Latin America and the Caribbean (Eclac). Femicide is particularly acute in Central America. According to the UN Population Fund (UNFPA), the problem is worst in Honduras and Guatemala, followed by the Dominican Republic.

"Femicide or feminicide is the most dramatic expression of violence against women, which must be faced comprehensively by States, taking into account the factors of economic, social and cultural inequality that play out in society and in the power relations between men and women," Eclac noted in a press release on 24 November.

In a speech to mark the International Day for the Elimination of Violence Against Women (25 November), Eclac's executive secretary Alicia Bárcena stressed, "we cannot allow Latin American and Caribbean women to keep dying due to the mere fact that they are women," calling on regional governments to improve their administrative records to ascertain the true number of femicides and to foster adequately funded programmes for prevention and victim reparation.

Currently, 20 Latin American and Caribbean countries have laws on violence against women, albeit only eight of them allocate specific resources in their national budgets, according to Eclac. In addition, 14 regional countries have added a specific penalty the crime of femicide (Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Peru), while Argentina and Venezuela have introduced the concept of aggravated murder for gender reasons into their legislation.

Honduras is notorious for femicides. A Honduran NGO, Foro de Mujeres por la Vida, estimates that 531 women were murdered in 2014, the majority aged between 15 and 24. This was down slightly from 636 in 2013; however between 2005 and 2013 the number of women violently killed in the country increased by 263.4%, on available recorded data (the true number is likely higher). In 2014, the UN reported that 95% of cases of sexual violence and femicide in Honduras were never investigated, with only 2.5% of domestic violence cases ever resolved. A year ago (November 2014), 'Miss Honduras', María José Alvarado, and her sister were murdered in Santa Barbara, western Honduras, to international media attention. The sister's boyfriend was later charged with the killings.

While addressing the central issues associated with femicide, Eclac warned about political harassment, "which infringes upon the achievement of gender equality, the autonomy of women and the quality of democracy." According to Eclac, for female candidates seeking popularly elected positions, some manifestations of political harassment include being assigned to districts that will clearly be lost, a lack of material or human support, and threats and aggression during the campaign period. In the case of elected women, the harassment may entail their appointment to commissions or areas with little or no budget, discriminatory treatment by news media, greater demand for accountability compared with their peers, and intimidation, threats and physical and/or sexual violence against them or their families.

To date, Bolivia is the only country in the region that has approved a law against harassment and political violence against women (in 2012). Another four are in the process of debating similar laws: Costa Rica, Ecuador, Mexico and Peru.

Street harassment

Eclac notes also the importance of drawing attention to "the abuse perpetrated in the streets and in city transport systems", which it said "constitutes one of the most minimized and naturalized forms of violence against women." Peru was the first country to promulgate, in March 2015, a law to prevent and sanction sexual harassment in public spaces, while Argentina, Chile and Paraguay are in the process of implementing legislation on street harassment, it noted.

POSTSCRIPT

Costa Rican finances hostage to politicking

Costa Rica's President Guillermo Solís has delivered what he sees as his side of the bargain. As far as he is concerned it is now up to the 57-seat legislative assembly to keep its side. Solís presented a budget to the legislative assembly, where the ruling Partido Acción Ciudadana (PAC) is in a clear minority with just 12 seats, containing the smallest budgetary increase in 10 years as his government seeks to demonstrate its commitment to contain spending. This is the main demand of the political opposition before it will consider approving a long-postponed fiscal reform. Part of the opposition broke ranks to help secure the budget's approval but this is no guarantee that fiscal reform will finally become a reality.

The legislative assembly approved a belt-tightening budget of ₡8 trillion (US$14.81bn) for 2016, up 0.54% on 2015. Despite the nominal increase, the right-of-centre opposition Movimiento Libertario (ML) and the Partido Unidad Social Cristiana (PUSC) called for even more cuts to guarantee austerity in public spending. The 2015 budget – the first of the Solís administration – had entailed a massive 19% increase on the 2014 version. But the PAC won the support of the left-wing Frente Amplio (FA) and the all-important backing of the traditional Partido Liberación Nacional (PLN), the largest party in the assembly with 18 of the 57 seats.

The PUSC accused the PLN of sealing an "obscure pact" with the PAC and the FA. PUSC Deputy Rosibel Ramos, the president of the legislative finance commission, called for a minute's silence so that the PLN, which she accused of breaking the terms of an opposition alliance, could reflect on what it is "shamefully doing to the country".

The education ministry received the largest slice of the cake: ₡2.36 trillion (US$4.37bn), the equivalent of 29.5% of the budget. Overall, debt servicing took up a total of US$4.63bn, a thumping 31.2% of the budget. The finance minister, Vice-President Helio Fallas, warned legislators that international credit rating agencies would reduce Costa Rica's rating, leading to higher interest rates on loans, unless they approve a fiscal reform in early 2016. Fallas said the fiscal deficit reached US$2.50bn in the first 10 months of 2015, up 12.3% on the same period last year. The PLN is the key to success and its decision to vote in favour of the budget, and the efforts of former president Oscar Arias (1986-1990; 2006-2010) to intercede with his party's deputies [WR-15-32], offer some encouragement for Solís.

Quotes of the week

"I don't have any happiness in doing this...I'm not doing it for political reasons."
Brazil's president of the lower chamber of congress, Eduardo Cunha, accepts impeachment proceedings against President Dilma Rousseff.

"Instead of leaving through the front door, she keeps indicating that she wants to leave through the back door. Everything which she does thinking it is against our government is against Argentina."
Argentina's President-elect Mauricio Macri on President Cristina Fernández.

"I know we're going to win but if something negative happens I would go on the streets to fight with the people as I always have done and the Revolution will move to another stage...[some Chavistas] are annoyed and they could make the mistake of punishing themselves if they vote for the Right."
Venezuela's President Nicolás Maduro on this weekend's legislative elections.

LATIN AMERICAN WEEKLY REPORT is published weekly (50 issues a year) by **Latin American Newsletters**, Hamilton House, Fourth Floor, Mabledon Place, London, WC1H 9BB, England. Telephone +44 (0)203 695 2790, Email: subs@latinnews.com or visit our website at: **http://www.latinnews.com**

EDITOR: JON FARMER. Subscription rates will be sent on request. Overseas subscription sent by airmail. Printed by Quorum Print Services Limited, Unit 3, Lansdown Industrial Estate, Gloucester Road, Cheltenham, Glos. GL51 8PL

REFERENCES: Back references and cross-references in the current series will be made thus: WR-15-01 will indicate Weekly Report, 2015, issue 1.