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Macri hits the ground running in Argentina

Speculation abounded about what measures Argentina's President Mauricio Macri would take first after his investiture on 10 December. The consensus view was that economic reforms would come first. Macri did not disappoint. His government wasted no time in issuing decrees ending most tariffs on agricultural and industrial exports, and then took the plunge by lifting currency controls. What nobody anticipated was that he would also issue a decree in the judicial sphere, appointing two supreme court magistrates. This move was highly controversial, prompting fierce criticism from the opposition, and unease from political allies. Just days earlier Macri had promised during his inaugural address that "there will be no Macrista judges in my government", an allusion to the propensity of his Peronist predecessors to stack courts with politically loyal justices.

In the days leading up to Macri's investiture Argentines were treated to the unedifying spectacle of President Cristina Fernández refusing to partake in the ceremonial protocol to hand over the presidential sash and staff of office to her successor. In the end the president of the senate, Federico Pinedo, a member of Macri's Propuesta Republicana (PRO), performed the honour after officially succeeding Fernández at midnight; Fernández vacated the presidential palace Casa Rosada in advance of the ceremony.

During a 27-minute speech to congress, Macri was short on specifics, although he stressed that his government's main efforts would be channelled into improving the standard of living for the poor, repeating his ambitious objective of 'zero poverty'. He also promised that his government would "combat drug-trafficking like no previous government" and would be "implacable" in combating corruption. In this way Macri refrained from directly criticising his predecessor but the message was clear enough.

Macri argued that his government faced "an exacting challenge after years of pointless confrontation". He went on: "Politics is not a competition between leaders to see who has the biggest ego but modern leaders working together in a team to serve...with truth the meeting place." Speaking from the balcony of the Casa Rosada, Macri reiterated this promise "to tell the truth always", an oblique reference to the Fernández administration's intervention in the national statistics institute (Indec) and the massaging of official economic data.

For the most part legislators from the Kirchnerista Frente para la Victoria (FPV) expressed their loyalty to Fernández by failing to turn up in congress but there were exceptions, suggesting that Macri could exploit divisions within the party, as well as an impending battle royal for control of the Peronist Partido Justicialista (PJ). The governor of Salta, Juan Manuel Urtubey, attended and ordered senators and deputies from the north-

Kirchner, Morales and Correa

Bolivia's President Evo Morales was present for President Fernández's Plaza de Mayo swansong during which she said she was "convinced the people will defend every one of the rights acquired over the last decade". Morales joined Fernández in unveiling a bust to her late husband and predecessor Néstor Kirchner (2003-2007) in pride of place in the Casa Rosada, a parting gift unlikely to be gratefully received by President Macri, with whom Morales played football, setting aside ideological differences. Another left-wing head of state to attend Macri's investiture was Ecuador's President Rafael Correa, who tripped over the red carpet while approaching Macri, colliding with his shoulder. "I nearly toppled the government," a smiling Correa quipped. "Not so soon," Macri responded laughing.

eastern province to do so too. Other FPV senators and deputies from the provinces of Santa Fe, Corrientes, Misiones and Chubut also attended, as did Macri's defeated opponent Daniel Scioli.

Battle for control of Peronism

Urtubey calculated that only five FPV federal senators and 22 federal deputies are staunch Kirchneristas, among them Fernández's son Máximo Kirchner, who insists that his mother's claim to be the rightful leader of the PJ was underpinned by the size of the turnout in the Plaza de Mayo to hear her farewell speech on 9 December (*see sidebar*). The remaining 38 FPV federal senators and 95 deputies could be politically elastic. Sergio Massa, who finished third in the presidential elections for the dissident PJ Frente Renovador; the former governor of Córdoba, José Manuel de la Sota; and Urtubey, all of whom are prepared to work with Macri, would be likely to dispute the PJ leadership.

Seven other Kirchnerista governors were also present in congress, and the full panoply of governors accepted Macri's subsequent invitation to a private meeting in the Olivos presidential residence on 12 December, including Alicia Kirchner, the governor of Santa Cruz and Fernández's sister-in-law. Urtubey, notably, appeared alongside Macri for a press conference after the meeting. Financial necessity trumps political affinity. Many of the provinces will require federal government assistance. Mendoza, Córdoba, Tierra del Fuego, and Jujuy need federal assistance to pay the annual bonus and prevent social unrest. The main concern of the governors was the need for a fiscal reform to guarantee more funds for the provinces.

Confronting economic difficulties

Macri, who promised to replace the "obscurantism" of the outgoing government with transparency, won important support from governors for decrees to reorder the economy, including opening negotiations with holdout bondholders; the new finance secretary, Luis Caputo, is already in talks in New York to resolve this longstanding issue and to open credit lines from Wall Street banks. One of the obstacles to this was removed after the president of the central bank, Alejandro Vanoli, resigned on the eve of Macri's investiture. Vanoli had resisted stepping aside despite having been fiercely criticised by Macri and his Cambiemos coalition, but in the face of a clear threat to dismiss him by the incoming authorities he decided to make the decision for himself.

The new finance minister, Alfonso Prat-Gay, had stressed that Vanoli's departure was essential before lifting currency restrictions imposed in 2011 by the Fernández administration. Federico Sturzenegger, former president of the Banco Ciudad de Buenos Aires (2008-2013) and currently a PRO deputy, replaced Vanoli. Jorge Todesca has been tasked with restoring credibility to Indec. Todesca infuriated the previous government by publishing an alternative consumer price index (CPI). He described finding Indec like "scorched earth": employees who compiled the widely criticised CPI, for instance, had resigned and left, and chains of command were non-existent. He said the entire process used to compile the CPI would have to be revised.

Macri also issued decrees this week confirming the elimination of the export tariffs on maize (20%) and wheat (23%) and the reduction of the tax on soya from 35% to 30% [[WR-15-48](#)], as well as lifting the 5% export tax on industrial goods. Speaking at the annual conference of the Unión Industrial Argentina (UIA), Macri said it was essential to encourage production and reward those firms who tried to export goods.

Macri signed another decree declaring an "emergency" in the electricity system until the end of 2017 as his government prepares to increase electricity (and gas) tariffs in January next year, and to phase out subsidies for all

Cabinet list

Cabinet chief *Marcos Peña*

Foreign affairs *Susana Malcorra*

Finance *Alfonso Prat-Gay*

Interior, public works and housing *Rogelio Frigerio*

Defence *Julio Martínez*

Security *Patricia Bullrich*

Agriculture *Ricardo Buryaile*

Energy & mining *Juan José Aranguren*

Labour *Jorge Triaca*

Justice and human rights *Germán Garavano*

Transport *Guillermo Dietrich*

Productive development *Francisco Cabrera*

Education *Esteban Bullrich*

Culture *Pablo Avelluto*

Health *Jorge Lemus*

Media *Hernán Lombardi*

Environment *Sergio Bergman*

Tourism *Gustavo Santos*

Social development *Carolina Stanley*

Science & technology *Lino Barañao*

Modernisation *Andrés Ibarra*

Communications *Oscar Aguad*

Plan Belgrano *José Cano*

but the most needy. The energy and mines minister, Juan José Aranguren, said that the problem was not with generation but distribution networks, which he said were "on the verge of collapse". Aranguren, who called on consumers to limit use of air conditioning units, said collapse could be avoided "if the necessary measures are taken". He blamed the failure to renegotiate electricity supply contracts for 14 years.

But by far the biggest economic action taken by the Macri administration came at the end of its first week in power. In fulfilment of Macri's main campaign promise, Prat-Gay unfastened the so-called 'dollar clamp' and announced the lifting of currency restrictions late on 16 December. "We are doing this to normalise the economy," Prat-Gay said, adding that the move to restore a single floating exchange rate would provide "the springboard for economic growth".

"The clamp killed the supply of dollars without stopping the demand," Prat-Gay said. "At the end of the day it killed the goose that laid the golden eggs: the sectors that generate foreign exchange." He hopes that exports will now surge and that between US\$15bn and US\$20bn will enter Argentina over the next month as a result. Prat-Gay said that exporters of grains [now not facing tariffs] had committed to selling "US\$400m per day; that's US\$2bn a week; US\$6bn in three weeks".

Prat-Gay also hopes that lifting currency controls will trigger a wave of foreign investment. The big concern, however, is that long before the benefits of this can be felt the move will trigger a sharp devaluation. Prat-Gay said there was "no magic number" to which the value of the peso will decline but privately he will desperately be hoping that it is no further than from the controlled rate of Ar\$9.8/US\$1 to the black market 'blue' dollar exchange rate of Ar\$14.5/US\$1.

Axel Kicillof, Fernández's finance minister, responded to Prat-Gay's announcement by saying that it was "absolutely orthodox in accordance with the prescriptions of the International Monetary Fund", a comment intended to be a serious criticism as the IMF was demonised by the previous government. "This is a devaluation, there is no other way to describe it," Kicillof said, arguing that the poor would be punished while exporters grew rich. For his part, Prat-Gay said that the central bank would continue with its intervention in the exchange rate market while the government would seek to "maintain the value of the peso, ensure that purchasing power [of the public] is not eroded and that inflation gradually comes down".

Judicial furore

Macri won plaudits for not only meeting provincial governors of all stripes but also key opposition figureheads, including Scioli, Massa and Margarita Stolbizer (GEN). But he undid some of this good work by issuing a highly controversial decree of necessity and urgency (DNU) on 15 December not in the economic sphere but the judicial. Macri used the DNU to appoint two magistrates until 30 November 2016 to fill vacancies on the five-strong supreme court rather than call an extraordinary session of the senate, which would customarily approve such appointments by a two-thirds majority.

Macri's move was an early signal of his intent not to allow legislators to use his congressional weakness to obstruct his agenda. But it was politically risky. "Not even Cristina Kirchner went this far," Stolbizer responded. Miguel Angel Pichetto, the leader of the Kirchnerista bloc in the senate, which has an absolute majority, reacted by saying the supreme court was now "on the verge of being unconstitutional". Pichetto had a point when he said that "if this had happened under the previous government, I can't imagine what they'd be saying". The appointments also sat uncomfortably

US relations

President Macri has named Martín Lousteau as the new Argentine ambassador to the US, replacing Cecilia Nahón. Lousteau was hailed as a star of the future when Cristina Fernández appointed him as her first economy minister in 2007, but he lasted barely four months in the job. He became a national deputy for the centre-left ECO in 2013. He competed against Macri's chosen successor for mayor of the city of Buenos Aires but backed Macri for president. Lousteau's task will be healing the rift with Washington. An ambassador with strong economic credentials is also a clever appointment as Lousteau will need to be well-versed in the US legal process surrounding holdout bondholders.

with Macri's stated commitment to an independent judiciary during his inaugural speech.

The new magistrates replaced Carlos Fayt, who resigned on 11 December, and Raúl Zaffaroni, who Fernández had tried unsuccessfully to replace since he resigned in December 2014. They are Carlos Rosenkrantz, rector of the prestigious private university San Andrés and former adviser to the government of Raúl Alfonsín (1983-1989) of the Unión Cívica Radical (UCR), and Horacio Rosatti, who was justice minister (2004-2005) under former president Néstor Kirchner.

Massa spoke for many when he said that "the names seem impeccable to me; the manner [of their appointments] horrible". Even a PRO deputy speaking to the national daily *La Nación* off the record said that "technically it's fine but politically it's a mistake". The reaction within the UCR, a key government ally, was mixed, but the party president, José Corral, and other senior party figures, emerged from a hastily convened meeting with Macri on 16 December expressing their support for his decision.

PRO assumes control over Buenos Aires province

On the same day that Mauricio Macri was sworn-in, María Eugenia Vidal took office as the governor of the province of Buenos Aires, by some distance the second most important elected post in Argentina. Vidal, also a member of Macri's PRO, is the first non-Peronist since 1987 to become governor of the province and the first female ever to assume this position. The relationship between Macri and Vidal will be of key importance.

Macri's focus on combating drug-trafficking and crime owes a lot to the concern of *porteños* with a deterioration in public security. Retaining the support of *porteños* is fundamental to Macri's success. He will be well aware that the province of Buenos Aires will elect federal senators 2017, affording his Cambiemos coalition the opportunity to strengthen its weak presence.

Vidal was less tactful than Macri about her predecessor. She accused Daniel Scioli of bankrupting the province, maintaining that her government will need "extraordinary assistance from the state" with provincial coffers completely empty. Vidal has negotiated support for Ar\$10bn (US\$1.02bn) from the federal finance minister, Alfonso Prat-Gay, to be able to foot the public sector wage bill and bonuses for the rest of the year.

BRAZIL & SOUTHERN CONE

BRAZIL | POLITICS

Pressure increases on Cunha

In the Brazilian media, Eduardo Cunha, the speaker of the federal lower chamber of congress, is frequently compared to Frank Underwood, the Machiavellian anti-hero of the House of Cards. Indeed, Cunha's capacity for survival in the midst of a whirlwind of corruption allegations demonstrates both remarkable political skill and astonishing audacity. But with the lower chamber's ethics committee finally deciding to proceed with an investigation into claims he lied to congress, and with the police raiding three of his residences over allegations he profited from the corruption scheme at the state oil company Petrobras, Cunha's days in office, and possibly at liberty, may be numbered.

On the afternoon of 15 December, the ethics committee finally voted, by 11-9, to continue the investigation into the accusation that Cunha lied to the lower chamber of congress. In testimony to the Petrobras congressional inquiry (CPI) back in March, Cunha had insisted he had no foreign bank accounts. Months later, however, the Swiss authorities revealed he had several bank accounts in the country, through which had passed around

Committee timetable

If the ethics committee timetable proceeds according to the rules of the federal lower chamber, Eduardo Cunha will have up to 10 days to present his defence. After that the rapporteur will have 50 days to carry out his investigation; he will present his summary to the committee who will vote as to whether Cunha should be punished or whether the case should be shelved. Congressional recess starts on 22 December and its full activities will only resume after Carnival on 15 February 2016.

US\$5m. Prosecutors believe that money came from overpriced contracts Petrobras paid for drilling ships.

When this evidence came to light, Cunha claimed that the money had come from successful financial speculation, using initial capital earned from a tinned-meat exporting business to the Democratic Republic of the Congo in the 1980s. He also insisted that the money in Switzerland was not held in “accounts”, but “trusts” (of which he or his family were the only beneficiaries) and therefore it was incorrect to say that he lied to congress.

A businessman and evangelical radio host before turning his attention to politics, Cunha started his political career helping to raise funds for Fernando Collor de Mello, the last Brazilian president to face impeachment for corruption in 1992. Over the years, Cunha appears to have lost none of his fundraising skills. As such he has bought considerable loyalty among congressional deputies from various parties; as was shown repeatedly in the successful efforts of his acolytes to delay and derail the ethics committee.

On 9 December Fausto Pinato, the rapporteur on the ethics committee, was preparing once again to read his account of the Cunha case and recommend further investigation, when an ally of the speaker, Waldir Maranhão, successfully applied for Pinato to be removed from his position as he is part of the same political alliance as Cunha. Pinato, a first-term deputy, agreed to withdraw from his position but not before speaking out about the death threats he had received from Cunha’s allies over his report calling for further investigation.

Finally, with a new rapporteur in place, and after seven abortive sessions, the ethics committee voted in favour of opening an inquiry into Cunha on 15 December, the last meeting of the committee of 2015. Nothing will now start until next year; no judgement will come before March at the earliest.

The committee’s decision came on the same day as police raided Cunha’s two residences in Brasília (one official, one personal) as well as his home in the city of Rio de Janeiro as part of the latest phase of ‘Operation Car Wash’. It was part of a series of search warrants, some 53 were executed in total, that also targeted a serving senator, a serving deputy and two cabinet ministers, all from Cunha’s party, the Partido do Movimento Democrático Brasileiro (PMDB).

Throughout the day, rumours swirled that Cunha himself was considering standing down. In the end, however, he resurfaced defiant as ever. “The assault on Petrobras was carried out by the PT [Partido dos Trabalhadores],” he said. “The police action is a sign they have no proof [against me]. I am disaffected with the government, as everyone knows. There is nothing more natural than that it should seek revenge.”

BRAZIL | POLITICS

A stay of execution

Tens of thousands of Brazilians took to the streets across the country on 16 December, in a rare show of public support for President Dilma Rousseff. In the morning a group of left-leaning intellectuals launched a manifesto in which they set out their anti-impeachment position, while in the afternoon militants from a variety of left-wing social movements and political organisations marched against “an opposition coup”. The show of support will have been welcomed by Rousseff but the impeachment process looks set to continue.

Impeachment proceedings ground to a halt last week following a decision by the supreme court to suspend the process, pending a ruling on a lawsuit filed by the Partido Comunista do Brasil (PCdoB), a government ally. The lawsuit

Growth over fiscal target

For President Rousseff the return to economic growth is more important than the fiscal target, the social communication secretary, Edinho Silva, told reporters. “We cannot fall into the trap of believing that the fiscal surplus (goal) is at the centre of our actions – because it is not,” said Silva, adding that Rousseff is a leftist economist who prioritises economic growth.

argued that the vote to select the congressional special commission to determine the validity of impeachment proceedings was carried out improperly. Voting was certainly chaotic. Angered by the decision by the speaker of the federal lower chamber of congress, Eduardo Cunha, to allow legislators to vote in secret, government supporters attempted to block deputies from voting, with some even destroying the electronic urns.

When voting resumed, 272 voted in favour of electing an anti-government bloc of deputies to the special committee, while only 199 voted for the pro-government group. Shortly after justice Luis Edson Fachin intervened, and ordered no further developments until the full plenary of the supreme court could analyse the PCdoB's request on 16 December. On that day, Fachin declared that the way the vote had been conducted was legitimate. He also voted against two other lawsuits: one which claimed that President Rousseff ought to have the right to present her defence to the lower chamber ahead of official proceedings; the other which argued that the senate has the power to shelve the impeachment process. The rest of the supreme court will vote on 17 December.

Even government-supporting lawyers expect the claims to fail and for the impeachment process to go ahead. The government had also hoped to accelerate the process by cancelling the Christmas recess. That now looks unlikely. Renan Calheiros, the senate president and an ally of Rousseff's, has indicated that 21 December will be the last session of the senate this year. Congress is only due to resume properly after Carnival, on 15 February.

As such the impeachment procedure is likely to drag on for months, with a consequent knock-on effect on Brazil's economy and business environment (*see next article*). Some analysts believe that the unemployment rate is likely to rise to 12% early next year. Once the impeachment process is in motion, the momentum to remove Rousseff may be unstoppable, regardless of the flimsy legality of the push for her ouster.

BRAZIL | ECONOMY

Exit Levy, pursued by a bear?

According to the respected financial newspaper *Valor Econômico*, Finance Minister Joaquim Levy has already agreed with President Dilma Rousseff to leave his position. Over the past few weeks, the University of Chicago-trained economist has looked increasingly isolated as he called for the government to stick to next year's 0.7% primary fiscal surplus target. Now, Rousseff's key allies on the congressional budget committee will introduce an amendment to the 2016 budget bill that will allow the administration to aim for a 0.5% target. The Real declined sharply on the move. Finally, on 16 December, Fitch, the credit rating agency, downgraded Brazil to junk status.

Once considered the final bulwark of the Rousseff administration's attempts to prevent a further credit rating downgrade, Levy has become increasingly isolated in his calls for further fiscal discipline, complaining recently of feeling “slightly sidelined”. Henrique Meirelles, the former central bank governor under Lula, is expected to replace Levy. In recent months, Levy has sought to ease the transition by insisting that the two men are in close agreement on economic policy. Crucially, however, Meirelles may enjoy more political support from allies of Rousseff. It is worth noting that rumours of Levy's departure are far from infrequent.

On 9 December the credit rating agency Moody's announced that it had placed Brazil's risk rating on review for a downgrade because of the rapid deterioration of the country's economy. The budget deficit is approaching 10% of GDP and the gross debt is approaching 70% of economic output. The

Penta heavyweights

Penta's founders

Carlos Eugenio Lavín
and Carlos Alberto

Délano (also the

president) and Pablo

Wagner, deputy

mining minister under
former president

Sebastián Piñera

(2010-2014), had

been put under

house arrest in

relation to

'Pentagate', but on 7

December a

guarantees judge

changed their

conditions, instead

releasing them on

bail (but still barring

them from leaving

the country).

probability of a reversal of this scenario in the next two or three years is "low", according to Moody's.

Then, on 16 December, Fitch lowered Brazil's sovereign-credit rating to BB+ with a negative outlook. In its note accompanying the decision, Fitch said it had downgraded Brazil due to the continuing uncertainty and risks in the economic, political and fiscal environment. The rating agency expects the Brazilian economy to shrink by 3.7% this year and 2.5% in 2016. Levy called the Fitch decision "serious" and urged congress to pass further fiscal tightening measures in response. "We cannot go into 2016 without voting for essential things that allow us to support the budget," he said.

With two of the three major credit rating agencies having downgraded Brazil to junk, many institutional investors will be obliged to withdraw funds from the country. Analysts from JP Morgan estimated in October that investors could ditch up to US\$20bn in Brazilian assets.

Fiscal target

Speaking on 15 December, Paulo Pimenta, the government's leader on the federal lower chamber's economic affairs committee, justified the lower target by saying that the amendment would allow the administration to report a balanced primary budget, with no surplus and no deficit, if tax revenues fall short of expectations. Deputies and senators are expected to vote on the budget bill this week or next in a joint session of congress.

WhatsApp banned

On 16 December a Brazilian judge ordered the suspension of the WhatsApp messaging service throughout the country for a period of 48 hours. A local judge in São Paulo state ordered the block after WhatsApp refused to cooperate with a criminal investigation, the court said in a statement. The court said that the decision was made amid a criminal procedure, but it did not provide more details, saying that the case is sub judice.

Around 100m Brazilians use the free messaging service. It was the most downloaded app last year in the country, in the world's fourth-largest smartphone market. But local telecoms companies have been lobbying congress for months over the application, claiming that its free voice messaging service is unregulated and illegal. For the past few months, operators have been trying to convince the government to put a ban on WhatsApp as millions of Brazilians have completely abandoned their cell phone lines. However, SindiTelebrasil, an industry association, said that telecoms companies were not behind the court order.

CHILE | POLITICS

First politician convicted over 'Pentagate'

Former senator and founding member of the conservative opposition Unión Demócrata Independiente (UDI) Jovino Novoa has become the first politician to receive a prison sentence in relation to the illegal campaign financing scandal involving Penta, one of Chile's largest financial groups, which rocked the country over a year ago. The ongoing investigations into 'Pentagate' as well as the case involving the mining company Sociedad Química y Minera S.A. (SQM) which have also implicated members of the ruling Nueva Mayoría coalition such as Fulvio Rossi, a senator for President Michelle Bachelet's Partido Socialista (PS), are subjecting Chile's institutions to serious scrutiny. Given this, Bachelet's recent appointment of Jorge Abbott Charme, a relative of Penta's current manager, as Chile's new attorney general, raised eyebrows.

“With UDI deputies like José Antonio Kast and Gustavo Hasbún accusing the tax authorities (SII) of serving the government’s interests and failing to take action against Nueva Mayoría members implicated in the cases, President Bachelet’s choice of Abbott was curious. Abbott is the cousin of Alfredo Moreno, a former foreign minister (2010-2014), who currently is Penta’s manager.”

Following his conviction for tax fraud on 27 November, Novoa received a three-year prison sentence for tax fraud five days later to be served out in an open prison. He was also ordered to pay just over Ch\$7.6m (some US\$11,000), the equivalent of roughly 50% of fiscal damages caused, which he can pay in 10 instalments. On leaving court, prosecutor Carlos Gajardo remarked that “this clearly sets a precedent: it’s the first conviction, but I doubt it will be the last.”

As well as Novoa, other politicians to have been charged in relation to the case – which forced the resignations of UDI president and vice-president Deputy Ernesto Silva and Senator Iván Moreira back in March [WR-15-11] – include: Deputy Felipe de Mussy; former mayor of Santiago (2008-2012) Pablo Zalaquett (both from the UDI); and Alberto Cardemil, a former deputy (1994-2014) for the centre-right opposition Renovación Nacional (RN). Also under investigation are UDI Senator Ena von Baer; the UDI’s initial choice of presidential candidate in 2013, Laurence Golborne; and former economy minister Pablo Longueira (2011-2013), another UDI member who briefly stood as presidential candidate in 2013.

With UDI deputies like José Antonio Kast and Gustavo Hasbún accusing the tax authorities (SII) of serving the government’s interests and failing to take action against Nueva Mayoría members implicated in the cases, President Bachelet’s choice of Abbott was curious. Abbott is the cousin of Alfredo Moreno, a former foreign minister (2010-2014), who currently is Penta’s manager.

A former executive director of the state prosecutor’s office and a former regional prosecutor for Valparaíso, Abbott took over for an eight-year term on 1 December replacing Sabas Chahuán. Abbott’s appointment was questioned not only by the opposition but also Nueva Mayoría coalition members like the Partido por la Democracia (PPD). Abbott has already said that he will not lead the investigation into Penta and has reassigned the SQM case to another prosecutor.

TC deals blow to Bachelet

President Bachelet last week received a setback after the constitutional court (TC) ruled against provisions of her flagship education reform – specifically the mechanism for determining which higher education establishments should be entitled to state funds in order to provide free university education for certain students in 2016.

The ruling raises doubts over Bachelet’s pledge to introduce universal free education which, together with constitutional and fiscal reform, was one of her three main electoral promises in 2013. The TC took issue with the fact that the funds that would come from the state budget were accessible to limited institutions, like those represented in the council of university rectors (Cruch) and several other private establishments.

President Bachelet has since said that the government will investigate alternative options for funding free university education, such as scholarships.

TRACKING TRENDS

BRAZIL | Inflation. Brazil’s 12-month inflation rate rose to 10.4% for November, the highest level in 12 years since November 2003, when it reached 11.02% during the first year in office of former president Lula da Silva (2003-2011). The consumer price index rose 1.01% in November, according to the national statistics agency (Ibge). This higher-than-expected figure for consumer prices was driven by an increase in food and fuel prices. The high inflation rate will pressure the central bank monetary policy committee (Copom) to increase the Selic benchmark interest rate in its first 2016 meeting on 19-20 January.

Communal parliament

As per the organic law, the 'communal parliament' would comprise:

- One spokesperson (and one alternate) from every communal council in a commune.
- Three spokespeople (and three alternates) elected by 'socio productive organisations' [undefined].
- One spokesperson (and one alternate) from the local Banco del Comuna.

The communal parliament's 'executive council', responsible for implementing the decisions taken by the parliament would comprise:

- Two spokespeople (and two alternates) elected by the communal parliament
- One spokesperson (and one alternate) elected by 'socio productive organisations'

All would have a term of three years, with the possibility of re-election.

In September 2013 there were over 40,000 registered communal councils and over 1,000 registered communes. It would make sense if a single 'communal parliament' were to exist *per commune*, but if this is to be a 'national communal parliament' it would be very large and very unwieldy.

Fast-tracking the communal state

National Assembly President Diosdado Cabello has declared fully constitutional a new 'national communal parliament', which he convened on 15 December during the final ordinary session of the 2010-2015 legislative term.

Brandishing a pocket version of the 1999 constitution on his weekly TV show, Cabello cited Article 5, which states that 'sovereignty resides in the people'. He also cited Article 21 of the [Organic Law of the Communes \(December 2010\)](#) [PDF], according to which the 'communal parliament' is the "maximum instance" of communal power. The communal state, as envisaged by the late president and founder of the Bolivarian Revolution Hugo Chávez (1999-2013), is meant to replace "bourgeois democracy" as part of the transition to Socialism in Venezuela (*see box below*).

Meanwhile, President Nicolás Maduro, who had accepted the results of the 6 December legislative contest, has now backtracked, alleging potential fraud in the case of 1.5m votes for the opposition; Venezuela, he now claims, has been subject to an "electoral coup", the latest in a long line of innovative 'coups' against his government. As we went to press, Venezuelan intelligence agents detained an opposition official from the state of Amazonas on suspicion of arranging vote-buying. Maduro said he would ask the national electoral council (CNE) to investigate, albeit reportedly the office of the CNE is now closed until January.

Cabello's move makes sense in the context of Maduro's controversial warning ahead of the legislative elections that in the event of an opposition victory he would "never hand over the Revolution" and would govern "with the people" in a "civil-military union". The strategy, then, appears to be to accelerate the plans for a communal state. Constitutionalists insist that Cabello is completely inflating a body meant to work at a lower level to distribute resources to communes/communal councils and limited only to supervising these in their defined territories. They also insist that it has no legislative power. At the same time, however, the language of the law is open to interpretation. Certainly, when it was approved back in 2010, some in the opposition even then expressed fears that it was designed to usurp the national assembly, and could reduce the assembly to just rubber-stamping bills emanating from 'the people' and the executive.

And Cabello appeared to suggest that a communal parliament would be no mere adjunct to the national assembly, but could have legislative power. "Today the communal parliament has been installed in the national assembly building, I am going to give all the power to the communal parliament and this parliament is going to be a legislative instrument of the people from the base. Sooner rather than later, power must truly rest where it must reside, with the people," he declared in convening the body, provocatively inviting it to sit in the national assembly building.

As Maduro and Cabello "radicalise the Revolution" in response to unprecedented defeat in the legislative elections, the opposition now fears that Venezuela could be headed for a serious political crisis. The question is how far Maduro and Cabello are prepared to go in pushing the country into a major clash of powers – and whether Maduro is prepared, for instance, to take extreme measures like dissolving the national assembly in response to the "electoral coup". The government's haste in getting a new supreme court bench in place before the incoming opposition-controlled assembly sits on 5

No replacement for national assembly

Even the constitutional lawyer Hernán Escarra, who helped draft the 1999 constitution and is known for his *Chavista* sympathies, told the national daily *Ultimas Noticias* that while a communal parliament is contemplated under the law of communes, “in no way should this be confused with the specific competencies of the national assembly, and to insist to the contrary would be to violate the structure of the constitution”.

January suggests that it is seeking urgently to reinforce and ringfence the Revolution. The million-dollar question is whether Maduro would be prepared to engage the Bolivarian armed forces against the wishes of the voting majority in support of this agenda.

Organic Law of the Communes

A legislative package known as ‘The Laws of People’s Power’ was approved in December 2010, despite the fact that a communal state had been rejected by the Venezuelan electorate in a referendum on constitutional reforms in 2007. The five laws are: the ‘Organic Law of Popular Power’, the ‘Organic Law of Popular and Public Planning’, the ‘Organic Law of Communes’, the ‘Organic Law of Social Auditing’, and the ‘Organic Law for the Development and Promotion of the Communal Economy’. Combined, the laws promote the decentralisation of power, collective property and self-government, with a ‘Government Federal Council’ as the main planning organisation.

The Cabello-cited Article 21 of the ‘Organic Law of Communes’ says that the decisions of a ‘communal parliament’ – which nowhere in the text is described as ‘national’ – “will be expressed by the approval of norms for the regulation of social and community life, [to] contribute to public order, coexistence, the primacy of the collective interest over individual interest, the defence of human rights, and government acts to do with planning, coordination and execution of plans and projects *in the scope of the commune*” [our emphasis].

Geraldo Blyde, a lawyer and opposition mayor of the Caracas municipality of Baruta, says that the figure of ‘national communal parliament’ simply does not exist, “either in the constitution, the law of communes or in any juridical instrument”. His interpretation is that a ‘communal parliament’ pertains only to communes and is restricted to the territorial scope of each commune, urban or rural. He described the Cabello announcement as a “big show” and said that the proposed national communal parliament should be given “neither physical space nor resources”, as it is “non-existent” in Venezuelan legislation.

Communal Power

Political analysts cite a key speech made on 20 October 2012 by Hugo Chávez, who, having just been re-elected for a fourth term, demanded a major acceleration of the plans for a communal state. Coming just months before his death from cancer on 5 March 2013, Chávez in that speech (known as ‘El Golpe de Timón’), “crossed the Rubicon”, according to a US academic, John Bellamy Foster: “He insisted on a full-scale socialist political transformation, with the intention of decisively shifting political power to the people, and by that means making the revolution irreversible.” Foster, a professor of sociology at the University of Oregon and editor of *Monthly Review*, a socialist magazine, in an April 2015 article entitled ‘*Chavez and the Communal State*’ argued that in October 2012 Chávez “believed that for all of the achievements of the Bolivarian Revolution it had not yet taken the decisive step: the real transfer of power to the people, the creation of the communes”. He quotes Chávez as declaring, “Nicolás, I entrust you with this task as I would entrust my life to you: the communes.... There is already a Law of the Communes, of communal economy. Therefore, how will we make it happen...?”

Foster goes on to note that “the key slogan of Maduro’s 2013 [presidential] campaign was ‘Commune or Nothing!’, taken from Chávez’s October speech”. At the time of Chávez’s speech, Foster stresses, there were almost no registered communes, but by September 2013 there were over 40,000 registered communal councils and 1,000 registered communes, “with substantial political power devolving to the emerging communal state.” Despite shrinking funds, Foster notes that Maduro increased the 2015 budget for communes by 62%, calling them “the maximum expression of democracy” and “pure socialism”. In February 2014, “Maduro declared that the goal was not just a communal state but a communal economy as well”. And in September 2014, under his ‘Five Big Revolutions’, Maduro again insisted upon a new communal state, “to end what remains of the bourgeois state”.

Colombia-Ecuador ties

Diplomatic relations between Colombia and Ecuador are “perhaps better than they have ever been”, President Santos said during a binational cabinet meeting in Colombia’s third largest city Cali, alongside his Ecuadorean peer Rafael Correa on the same day that the victims’ accord was signed with the Farc in Cuba. Santos hailed the advancement of binational environment, economic, trade, cultural, defence and infrastructure projects. This is all a far cry from the state of relations after the Colombian bombing of a Farc encampment comfortably on the Ecuadorean side of the shared border in 2008 when the guerrilla group’s second-in-command, ‘Raúl Reyes’ (Luis Edgar Devia Silva), was killed.

Just one accord left in Farc peace deal

After a false start the negotiating teams representing the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) confirmed a final accord on 15 December over justice for victims of the country’s armed conflict. President Juan Manuel Santos celebrated “perhaps the most important” accord of the peace talks in Cuba, which he said “defined the commitments and mechanisms to satisfy the rights of victims to truth, justice, reparation and non-repetition in the best way possible”. Senator (and former president [2002-2010]) Álvaro Uribe, of the right-wing Centro Democrático, denounced the deal in eight searing tweets preceded by the question ‘Is this peace?’

The accord was ostensibly sealed on 23 September [WR-15-38], but this was premature as disagreements over the small print associated with the transitional justice law rapidly emerged. Both sides had to go back to the negotiating table, taking the gloss off the historic handshake between President Santos and the Farc’s maximum leader ‘Timochenko’ (Rodrigo Londoño Echeverri) in Havana.

The loose ends have now been tied up. In a joint statement the two negotiating teams said the new accord constituted “a fundamental step towards peace”. “There will be no witchhunt but neither will there be impunity,” the chief government negotiator, Humberto de la Calle, said. “This is the first peace accord reached in Colombia that has not culminated in a general amnesty for all those parties in the conflict but with the creation of a special transitional justice system with competence over all human rights violations and those responsible for committing them,” the Farc’s head negotiator, ‘Iván Márquez’ (Luciano Marín Arango), said.

The 63-page accord would create an integral system of justice and compensation for victims of the conflict. This includes a truth commission, which will seek to explain the origin and reason for the conflict and “clarify responsibilities”; a special unit to search for and identify missing people; and a transitional justice system, composed of different courts focused on investigating demobilised guerrillas, deciding whether to issue pardons or proceed with prosecution, and issuing sentences, including for members of the military and civilians accused of war crimes.

The broadest possible amnesty will be extended as soon as the peace accord is struck but not for crimes against humanity, genocide, serious war crimes, torture or kidnapping. To encourage the truth those admitting to their guilt will receive reduced sentences up to a maximum of eight years in special conditions; those who fail to recognise their responsibility in cases brought before the courts, and are proven guilty, face up to 20 years in a common jail.

The accord still fails to provide exact details of the terms of the “restriction of liberty” for those who admit to serious crimes, leaving this up to the courts to decide. Those who fall into this camp would be required to compensate victims, through community work, such as constructing essential infrastructure in the most war-ravaged areas of Colombia; helping farmers with planting coca substitution crops; clearing landmines; or reforestation. The government also undertook to get private actors, such as ranchers who financed paramilitaries, to take part in efforts to compensate victims of the conflict.

There would be no extradition and convicted guerrillas would be able to enter politics after serving their sentences. To promote reconciliation Farc guerrillas and the government would have to take part in public events assuming their various responsibilities and seeking forgiveness.

Mexico City warnings

Commenting on the approval of the Mexico City politico-administrative reform package, PRI senator Ana Lilia Herrera said that “greater faculties must translate into greater responsibilities” and that the GDF would have to be more accountable to the Mexico City electorate. Similarly, PAN Senator Víctor Hermosillo stated “If the *capitalinos* have decided to become another state, they can rest assured that the other states will now watch them more closely”, adding that redistribution of federal funds and accountability for their use should be “more equal among all federal entities”. For his part President Peña Nieto welcomed the approval of the reform, highlighting “the will to reach agreements, which has allowed for great national changes, today benefits Mexico City”.

Congress rushes through some major bills

As has become the norm in recent years, Mexico’s federal congress has worked overtime to approve a raft of varied legislative initiatives before the close of ordinary sessions for the year on 15 December. Among some of the initiatives that received full or partial approval are a major domestic politico-administrative reform, government-sponsored economic initiatives and the ratification of salient international agreements signed by the government. All of this shows that following the June midterm federal legislative elections, in which the entire 500-seat federal chamber of deputies was renewed, congress is still inclined to work together with the government led by President Enrique Peña Nieto to promote significant changes in the country.

The most eye-catching of all the initiatives approved by congress in its last session was the politico-administrative reform package turning the Mexico City federal district (DF) into a full-fledged state (the country’s 32nd). This reform package, which included a series of constitutional changes so as to confer state status on Mexico City, which currently has federal district status due to its role as national capital and as the seat of the national legislative and executive powers, was promoted by the opposition Partido de la Revolución Democrática (PRD).

Mexico City is a PRD bastion, which has been under control of the leftist party since 1997. The current PRD Mexico City municipal government (GDF) led by Mayor Miguel Angel Mancera has pushed for the City to be granted statehood for some time on the grounds that this would allow the GDF and the 100-member Mexico City assembly (ALDF) to better address and cater for the needs of its 8.9m population, the second largest population of all 32 of Mexico’s federal entities. Statehood would allow Mexico City not only to receive more by way of federal government financial assistance but it would also give it more autonomy when it comes to setting and collecting taxes, amongst other things. In fact, statehood would give Mexico City the chance to draft its own constitution akin to that of other states.

The approval of the Mexico City political reform package (which must now be ratified by a majority of the 31 state legislatures before it can be sanctioned by President Peña Nieto) was clearly a concession by the nationally ruling Partido Revolucionario Institucional (PRI) as well as by the right-wing opposition Partido Acción Nacional (PAN) to the PRD. Since the reform package included some constitutional amendments it required qualified majorities in both chambers of congress. Indeed the reaction from PRI and PAN leaders in the senate to the reform package receiving final approval by that chamber (by 74 votes in favour to 20 against) was to warn the GDF that with increased powers came increased responsibility and accountability to the electorate (*see sidebar*).

Reciprocating

If the approval of the Mexico City political reform package was a concession and a boon for the PRD, the approval of other legislative initiatives was positive for the Peña Nieto government. Indeed the PRD opposition legislators appeared to reciprocate the PRI’s backing for the Mexico City political reform by supporting government-sponsored initiatives.

The ‘ley contra robo de hidrocarburos’ anti-oil theft bill received final approval by the senate on 15 December after receiving cross-party support (65 votes in favour and 22 against). The bill codifies the crime of oil theft in the federal penal code and introduces tougher sanctions (15-25 year prison sentences and up to M\$1.75m [US\$102,196] in fines) for anyone found guilty of stealing hydrocarbons from pipelines belonging to the state-owned oil

Ambassadors ratified

Mexico's federal senate also managed to ratify a number of diplomatic appointments made by President Enrique Peña Nieto on the final day of ordinary sessions on 15 December. The most important of these were the ratification of five new ambassadors: Juan José Guerra Abud as ambassador to Italy; Erédira Araceli Campos as ambassador to Venezuela; Juan Manuel Gómez Robledo Verduzco as ambassador France; Agustín García López Loaeza as ambassador to Canada; and Eloy Cantú Segovia as ambassador to Belgium and concurrent ambassador to the European Union.

firm, Pemex. It also gives the federal authorities the power to arrest and prosecute anyone that is unable to produce an official receipt for petrol or other hydrocarbon purchases. The bill was promoted by the government as a way of addressing the problem of oil theft, which has consistently increased in recent years, producing significant economic harm to Pemex and, by extension, government finances. On official figures, Pemex's losses due to oil theft currently average M\$40bn a year.

The senate also gave final approval to the federal government's proposal to create a new culture ministry – the country's 18th. Up until now Mexico's cultural affairs have been managed by the national council for culture and the arts (Conaculta), a decentralised body of the federal education ministry (SEP).

In another boost for the Peña Nieto government, the senate also ratified an additional protocol to the Pacific Alliance framework agreement which contains provisions on rules that govern trade within the regional economic bloc, specifically of origin, sanitary and phytosanitary measures, as well as on electronic commerce. The protocol will be instrumental in helping lift 92% of tariffs on all intra-Pacific Alliance trade in the coming years as contemplated by the Pacific Alliance agreement. Since coming to power in 2012, Peña Nieto has promoted greater economic integration among the four Pacific Alliance countries as a way to stimulate greater domestic and regional economic growth.

In this same vein, the newly elected federal deputies also boosted Peña Nieto's economic policy plans by approving the creation of new special economic zones. This initiative first presented by Peña Nieto in January [WR-15-01] envisions the creation of three zones in some economically deprived and crime-ridden areas of the country in the states of Veracruz, Oaxaca, Chiapas, Guerrero and Michoacán in a bid to reactivate economic growth and drive socio-economic development in these areas as part of a holistic strategy to combat criminality. These zones will be governed by a special tax and customs regime designed to promote private sector investment. The proposal proved to be controversial with both the PRD and the PAN, which expressed concerns about whether such a measure would be effective. However, the new deputies decided to approve the initiative with some minor modifications so that the senate can start debating it early next year.

TRACKING TRENDS

MEXICO | Latest phase of oil concessions a success. On 15 December the national hydrocarbons commission (CNH) announced that bids had been submitted for all of the 25 concessions offered in the third phase of the 'Round 1' public tender process for hydrocarbon exploration and production concessions contracts. Round 1 is the inaugural tender process open to national and foreign private firms under Mexico's energy sector reform, which liberalised the sector for the first time in over 75 years, launched by the government earlier this year.

The third-phase auction proved to be the most successful yet of Round 1 despite the prevailing adverse scenario in the international oil market, after the CNH sought to make the terms of the contracts on offer more attractive following disappointing first and second phases. Unlike the first two tenders, the third phase for the first time offered licence contracts rather than production-sharing agreements in a bid to encourage smaller local operators into the newly liberalised sector. This proved to be effective as all of the onshore exploration and production blocs on offer – 17 crude oil fields and nine natural gas fields located in the states of Tamaulipas, Veracruz, Tabasco, Nuevo León and Chiapas – received qualifying bids. Twenty of the bids were won by Mexican firms, many of which have been contractors for the state-owned oil firm, Pemex.

The third phase of the Round 1 tender process proved to be such a success that the following day the CNH announced that it has approved the government's plans to conduct a fourth phase, which will offer 10 concessions located in deep waters of the Gulf of Mexico. According to the CNH the guidelines for phase four will be published in the official gazette on 17 December, with a view to opening bids by mid-2016.

Solís pays long-awaited visit to Havana

President Luis Guillermo Solís this week became the first Costa Rican president to visit Cuba since diplomatic ties were officially re-established in 2009. His three-day trip attracted particular attention given the continued crisis over some 5,000 Cuban migrants stranded in Costa Rica and Panama en route to the US following Nicaragua's closure of its border with Costa Rica last month [WR-15-46]. While Solís's visit had been scheduled well before the migrant crisis, the issue inevitably dominated his meeting with President Raúl Castro.

The groundwork for President Solís's trip to Havana had already been laid during meetings he held with President Castro at the January 2015 Community of Latin American and Caribbean States (Celac) summit in Costa Rica and the Summit of the Americas hosted by Panama last April. Accompanied by a 31-strong delegation, which included his ministers of foreign relations (Manuel González), science & technology (Marcelo Jenkins), tourism (Mauricio Ventura), health (Fernando Llorca), and the director of intelligence and security (Mariano Figueres), Solís told reporters that his much-anticipated trip had four objectives.

The four objectives were: to discuss the migrant crisis (attributed to the US-Cuba diplomatic rapprochement in December 2014 which has sparked speculation that the US government could end its current 'wet foot/dry foot' Cuba migration policy); to finalise the process of normalising relations, severed in 1961 following the 1959 Cuban Revolution and officially re-established in 2009 under the second administration of Oscar Arias (2006-2010); to promote trade (50 business representatives from 23 sectors and three business chambers also accompanied the presidential delegation); and to recognise Cuba as a key actor in the Caribbean Basin.

The Solís-Castro meeting, however, which took place behind closed doors on 15 December, the final day of the Costa Rican head of state's visit, failed to yield much beyond promises to seek a concerted regional solution. Instead Castro took aim again at the US 'wet foot/dry foot' policy which the Cuban government holds responsible for the crisis.

Meanwhile Solís expressed disappointment with his Central American neighbours – particularly Nicaragua, Belize and Guatemala. All three countries have refused to allow the Cuban migrants to transit through their territory despite having signed a Central American integration system (Sica) agreement last October allowing for their "safe transit" to the US.

This adds to frustration already expressed by Solís with regard to Sica, after the first meeting of the sub-regional integration system held to discuss the issue in El Salvador on 24 November failed to produce any concrete results. Attended by foreign ministers from Central America, Cuba and Ecuador and deputy foreign ministers from Colombia and Mexico – all nations that form part of the Cuban migration route – the Sica summit was characterised instead by mutual recriminations between the Nicaraguan and Costa Rican governments. A further Sica summit to address the issue is planned for 18 December although there is little optimism that the outcome will be any different.

Bilateral trade

Boosting trade and investment was a key item on the agenda of President Solís during his visit to Cuba, and on 14 December a meeting took place, organised by the Costa Rican and Cuban trade promotion agencies, Promotora del Comercio Exterior de Costa Rica (Procomer) and Centro para la Promoción del Comercio Exterior y la Inversión Extranjera (Procuba), which produced an agreement to promote a mechanism for diversifying and strengthening trade and investment. According to Procomer, Costa Rica's exports to Cuba reached US\$37.7m in 2014 while Cuba's exports to Costa Rica totalled US\$1m. Costa Rica's exports to Cuba grew 17% on average each year between 2010 and 2014.

Rival alliance challenges PLD dominance

The Dominican general elections on 15 May 2016 have looked like a foregone conclusion ever since the constitution was reformed last June to allow President Danilo Medina to stand for re-election given his sky-high popularity ratings. The alliance between the ruling Partido de la Liberación Dominicana (PLD) and the main opposition Partido Revolucionario Dominicano (PRD) last September seemed to set the seal on a Medina victory. Now, however, the other two principal parties in the Dominican Republic have come together with an alliance that should at least make the congressional elections more competitive.

The Partido Revolucionario Moderno (PRM) picked up the mantle of main opposition party after the PRD set aside two decades of mutual enmity and ideological differences with the PLD to forge an electoral alliance. A PRD splinter group, the PRM looked seriously outgunned. But then this week the party leaderships of the PRM and the Partido Reformista Social Cristiano (PRSC) agreed to an electoral alliance of their own. The PRSC is nothing like the force it was under its veteran leader Joaquín Balaguer, who was president for a total of 22 out of 30 years over two long stretches between 1966 and 1996, but it is an established party and will provide more of a national presence for the PRM as well as more campaign financing.

The PRSC's decision is borne of pure pragmatism rather than political conviction. For several months the party had sought an alliance with the PLD but it has been pushed down the pecking order since the ruling party struck its accord with the PRD. The PRSC leadership rejected a PLD proposal as "unviable and unacceptable" as it only offered a total of 45 positions to the party in "small districts". The PRM's offer was much more attractive: 12 senate candidacies for veteran PRSC candidates including the party's secretary general, Ramón Rogelio Genao; 50 lower chamber candidacies; and 50 mayoral candidacies, as well as splitting councillor positions. A national poll next February will decide who will head the presidential ticket, the PRM's candidate, Luis Abinader, or the PRSC president, Federico Antún Batlle.

President Medina said the PRSC decision was "a shame [as] two is better than one and three better than two"; the PLD secretary general, Reinaldo Pared, wished the PRSC well, reminding the party of its ill-fated 'Pink Alliance' in 2006 (with the PRD against the PLD). In the last elections in 2012 the PRSC won four senate seats and 12 lower chamber seats in alliance with the PLD.

TRACKING TRENDS

ST VINCENT AND THE GRENADINES | Elections. Prime Minister Dr Ralph Gonsalves and the ruling Unity Labour Party (ULP) won a fourth straight term in general elections in St Vincent and the Grenadines on 9 December. The ULP secured victory by the tightest possible margin, 8 seats to 7, the same as in the previous elections in 2010. Arnhim Eustace, the leader of the main opposition New Democratic Party (NDP), refused to accept defeat. Eustace said his party had "unmistakable proof" of irregularities. Demanding a recount, the NDP filed election petitions in the High Court on 15 December.

The electoral observer mission of the Organization of American States (OAS) made no reference to any irregularities, highlighting "the civic spirit of the population shown in peaceful and successful elections". Eustace's response was that "the OAS can say it was free and fair; we... say it was not free and it was not fair". NDP protests could be heard as Gonsalves swore in his new cabinet on 14 December. Promising no triumphalism Gonsalves offered "unsolicited but honest advice to the NDP leadership that if you continue like this, it will only result in your accelerated political demise, a veritable political oblivion".

Primary elections turn violent

The ruling PLD held primary elections on 13 December to select party candidates for 219 congressional and municipal posts. Two people were killed as the elections, in which 2.6m PLD members participated, descended into violence in Santiago, the second largest city in the Dominican Republic and capital of the eponymous province; and Barahona, the largest city in the southern province of the same name.

Quotes of the year

“Yesterday [15 March], when I saw hundreds of thousands of civilians demonstrating I could not help but think how it had been worth fighting for this freedom [from dictatorship].”

Brazil's President Dilma Rousseff.

“If you become President will you resign by Fax or Twitter?”

Peru's replaced interior minister Daniel Urresti's acerbic rhetorical attack on Keiko Fujimori, the daughter of former president Alberto Fujimori, who famously chose the former option in 2000.

“Venezuela has the misfortune of having oil. It is the country in Latin America that has been ransacked the most. How can a society work when a bottle of water costs more than a litre of fuel?”

Uruguay's former president José Mujica.

“The only thing I would say to the Venezuelan president is don't buy any swimming trunks yet.”

Chile's foreign minister Heraldo Muñoz responds to comments by Venezuela's President Nicolás Maduro paraphrasing the dream of his late predecessor Hugo Chávez (1999-2013) of “bathing on a Bolivian beach”.

“What has happened in Argentina is unprecedented, it is a great feat. Argentines have made possible the impossible.”

Argentina's [then] President-elect Mauricio Macri.

Nicaraguan opposition galvanised by leftist setbacks

Nicaragua's main opposition Partido Liberal Independiente (PLI) is seeking inspiration from the electoral defeats inflicted upon long-serving 'progressive' leftist governments in Argentina and Venezuela in recent weeks to spring a surprise in general elections in November 2016. It is widely expected that President Daniel Ortega and the ruling Frente Sandinista de Liberación Nacional (FSLN) will emerge triumphant from the elections but the PLI insisted the electoral setbacks suffered by Ortega's "authoritarian" allies provided comfort for the party in the face of "political persecution" and "a serious deterioration in human rights" in Nicaragua.

While the PLI, the mainstay in the Coalición Nacional por la Democracia, maintains that the results in Argentina and Venezuela are evidence that change is indeed possible in Nicaragua it argues that the odds are heavily stacked against the opposition, in no small part because of the supreme electoral council (CSE). The opposition insists that the CSE rigged the municipal elections in 2008 and 2012 and the presidential and legislative contests in 2011. Taking the lead from dissident youth movements, the PLI has been staging so-called Wednesday protests ('miércoles de protesta') outside the CSE headquarters on that day of the week for months on end to demand free and fair elections.

The Wednesday protests have not gained much traction but they did receive some coverage in the foreign press after the FSLN-dominated national assembly lifted the immunity of two PLI deputies, Raúl Herrera and Eddy Gómez, to face prosecution for their involvement in protests on 4 and 11 November that turned violent. The PLI sent a letter to Maider Makua, the policy officer for the European External Action Service (EEAS) Directorate for Americas, claiming that the FSLN was punishing two of its politicians "for the simple fact of demanding free, transparent and observed elections". The opposition subsequently walked out of the national assembly session discussing the 2016 budget on 1 December. This had no more than symbolic impact as the 66 FSLN deputies approved the budget on their own.

The C\$71.95bn (US\$2.59bn) budget for 2016 is up 12.3% on this year as the Ortega administration prepares to ramp up public spending in an electoral year. The finance minister, Iván Acosta, said tax revenues would cover 93% of the budget, which is predicated on economic growth of 4.6% and an average oil price of US\$56 per barrel.

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