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Zika takes Latin America by storm

El Salvador's health ministry has advised couples to avoid conceiving children over the next two years. This remarkable cautionary advice, on 21 January, followed similar recommendations, albeit for shorter timespans, by the health ministries in Colombia and Ecuador. The reason is the rapid spread through Latin America of the Zika virus and its suspected link to congenital microcephaly in which the foetal brain fails to develop normally. The Pan American Health Organization (PAHO), the regional office of the World Health Organization (WHO), issued a warning this week that Zika would "likely reach all countries and territories of the region where *Aedes [Aegypti]* mosquitoes are found". With the mosquito-borne virus Chikungunya emerging in 2014 to join dengue in the region the public will be asking "what next?"

El Salvador's health ministry issued its advice in response to the surge in cases of Zika since it reached the country in November 2015. There have been close to 7,000 cases of Zika reported so far, many more than any other country in the region bar Brazil (at least 500,000) and Colombia (14,000). But these two countries are not only much larger they are also much wealthier. El Salvador lacks the resources to combat Zika, especially as it is wrestling with a public-security crisis after record homicides in 2015 confirmed it as the most violent country in the world outside of a war zone.

The advice of El Salvador's health ministry to women to "take steps to plan their pregnancies and avoid getting pregnant between this year and next" because of the risk children will be born with microcephaly is also very controversial in a staunchly Catholic country where abortion is completely outlawed. Not only is pregnancy not always planned but what about women who have already conceived and might not discover the microcephaly until a later stage? As the virus only began circulating last November it will be August before any spike in the cases of microcephaly is likely to be detected.

What is Zika?

Zika virus is named after a forest in Uganda where it was discovered in 1947. The first large outbreak was not until 2007 in Micronesia. The continental outbreak in Latin America began in Brazil in May 2015. It is difficult to recognise Zika because only about 20% of sufferers show any symptoms, and this is normally no more than a mild fever or a headache and lasts no longer than a common cold. There has been no clinical research performed yet to prove the link to congenital microcephaly. But there is a correlation in time and space between the outbreak of Zika and the number of cases of microcephaly in Brazil. Brazilian scientists at the Fundação Oswaldo Cruz in Rio de Janeiro and the Universidad Católica de Paraná confirmed last week that intrauterine transmission of the virus was possible after cells of the placenta of a woman who had an abortion in the first trimester were found to be infected with it.

Abortion debate

The perceived link between Zika and microcephaly has prompted a debate over abortion in the region. The Brazilian media has reported cases of anonymous women with the Zika virus deciding to seek abortions on discovering that the foetus had brain problems. Despite being illegal in Brazil abortion is not an uncommon practice. An editorial in *Folha de São Paulo* entitled 'Microcephaly and abortion' this week argued that it would be sensible to revise the law: "the legislation is three quarters of a century old. It seems fair to subject the change to a plebiscite or referendum, given its controversial nature".

The Zika threat

Over 4,000 cases of microcephaly have now been registered in Brazil in areas where there have been outbreaks of Zika (14 out of 27 states) since last May. This is an eightfold increase on the annual average of 200 cases for the previous five years. It is this emerging data from Brazil that has prompted several regional health ministries to issue pregnancy-related warnings. Colombia's health minister, Alejandro Gaviria, led the way on 20 January by urging women to delay pregnancies. "Women, especially those living beneath 2,200 metres [26m people, 60% of the population, live below this altitude] should consider putting off pregnancy for between six and eight months," he said. "We are not saying abstain from sexual relations and we are respectful of individual liberty, we only want to make it known that the consequences could be very serious".

These potentially serious consequences are not just restricted to microcephaly. Guillain-Barré syndrome (GBS), a rapid-onset muscle weakness as a result of damage to the peripheral nervous system, is another illness associated with the virus. Colombia's President Juan Manuel Santos said this week that Zika could affect up to 600,000 people in Colombia. By extrapolating the data for the cases of microcephaly and GBS associated with people who contracted Zika virus in French Polynesia during an outbreak in 2013, Santos said this would mean Colombia could expect around 500 cases of microcephaly and 500 cases of GBS associated with Zika. Authorities in El Salvador notified the PAHO that between 1 December last year and 6 January 46 cases of GBS were recorded (including two deaths) compared with an annual average of 169.

Declaring war on the *Aedes Aegypti* mosquito

The Colombian government launched an information and prevention campaign on 25 January, especially targeting the four most-affected departments, Norte de Santander, Santander, Atlántico and Huila. Brazil's President Dilma Rousseff, meanwhile, travelled to the north-eastern state of Pernambuco, the epicentre of the Zika epidemic, where she urged the public to assist the health ministry in its "great efforts" to combat the *Aedes Aegypti* mosquito, saying that only by working together could "victory" be achieved. Health authorities in Recife, the state capital, estimate around 85% of the breeding sites of the mosquitoes are on residential properties. But with the life cycle of the *Aedes Aegypti* just one-and-a-half to three weeks, ordinary Brazilians must engage with the process of eliminating breeding sites if it is to have any chance of success.

This week the Rousseff administration announced the deployment of 220,000 soldiers in the fight against the *Aedes Aegypti* in Brazil (which, it is worth noting, was declared free of *Aedes Aegypti* in 1958 after a major nationwide campaign). They will accompany health workers on house-to-house visits to check for pools of standing water, which provide the ideal breeding ground for the mosquito. Already, Brazil's health service, particularly in Pernambuco, is showing signs of serious stress in the wake of this epidemic.

On 27 January, the US and Brazil announced a joint accord to work together to accelerate a vaccine to prevent the transmission of Zika. However, even the most optimistic assessments estimate that it will take at least three years for a vaccine to become commercially viable. Normally, a vaccine takes 10 years to develop.

This means that attacking *Aedes Aegypti* by improving detection and prevention is the main strategy right now. Along with the deployment of soldiers, the Brazilian government will also hand out insect repellent to 400,000 pregnant women. Ecuador's health minister, Margarita Guevara, got her hands dirty on 23 January, participating in the fumigation of an area in the north-western coastal province of Esmeraldas. Guevara, who also encouraged women to

Carnival

With a week to go before Carnival, health authorities in Rio de Janeiro have been fumigating the sambadrome. The city has deployed 5,000 health workers and 3,000 environmental inspectors to conduct house-to-house visits to check for standing water and educate the public about mosquito elimination methods. In areas with large volumes of water, health agents are deploying *Phalloceros Caudimaculatus*, a type of fresh water fish that eats mosquito larvae.

hold off on trying for a baby, said the health ministry was developing a “door-to-door” campaign to educate people and hand out larvicides.

But these campaigns are not cheap, especially for countries like El Salvador. The authorities here have started taking steps – the education ministry, for instance, has instructed schoolgirls to wear trousers instead of skirts to minimise exposure to mosquito bites – but the government will need external assistance. So will other countries, like neighbouring Honduras, if Zika spreads to the whole region as the PAHO warned this week, saying that it had already been detected in 20 countries in Latin America and the Caribbean.

Even for bigger countries the scale of the task ahead is daunting. The Zika outbreak prompted the Brazilian government last November to declare a state of emergency in public health. Last week Brazil’s health minister, Marcelo Castro, a doctor by training, repeated a comment he made in October last year, in the midst of a dengue outbreak, that Brazil “is losing the war against the mosquito”. This followed his remark that “sex is for amateurs, pregnancy for experts”. The presidential palace, Planalto, made it very clear through briefings to the local media that those kind of comments were extremely unwelcome, and that Castro might soon find himself out of a job (although as one of the few supporters of Rousseff’s from the government’s restive ally the Partido do Movimento Democrático Brasileiro [PMDB], he is unlikely to be moved any time soon).

Last year, Brazil experienced a serious epidemic of dengue fever, with a total of 1.6m registered cases. But as the symptoms of dengue, such as a fever, rashes and joint pain, are remarkably similar to the symptoms expressed with Chikungunya or Zika, many of those cases may turn out to have been Zika. This is why the federal government is estimating the number of Zika cases in Brazil at present could be between 500,000 and 1.5m. One of the fears is that incidences of all these diseases are likely to rise over the coming months, as the hot, wet months between February and May provide ideal breeding conditions for the *Aedes Aegypti*.

One of the few potential bright spots in the Brazilian economy, tourism, in this Olympic year, now faces a crisis. With warnings in place in both the US and Europe that pregnant women should avoid travelling to countries with reported cases of Zika, the authorities fear a sharp decline in visitor numbers. Carnival, due to start on 5 February, could accelerate the spread of the virus, as visitors descend on Brazil’s coastal cities, wearing few clothes and therefore leaving themselves susceptible to insect bites. Brazilian authorities fear that the images of women from the US and Europe giving birth to microcephalic babies following a visit to Brazil could prove catastrophic to the tourism sector.

At a domestic level, Brazil’s health ministry has announced that it will provide benefits to children born with microcephaly. Providing that a household earns less than R\$220 (US\$55) per member, a child with microcephaly will be eligible for benefits equivalent to the minimum wage R\$880 (US\$220). Whether the Brazilian state has the long-term resources to provide adequate care for children suffering from microcephaly if there is a sharp increase in sufferers is a worry, however, among mothers and health officials.

Nuclear response

One interesting proposal for combating the *Aedes Aegypti* mosquito came from an unlikely source this week. It was made by the director general of the International Atomic Energy Agency (IAEA), Yukiya Amano, who has just begun a two-week tour of the region, taking in Central America and Mexico. Speaking in the Costa Rican capital of San José on 27 January Amano said the IAEA has helped to reduce insect pest populations with the sterile insect technique, a technology he said that could be used to help reduce the population of *Aedes Aegypti* mosquitoes.

Opposition forges 'unity' coalition

Ecuador's political opposition is taking tentative steps towards forming a cohesive coalition to contest at least the legislative, if not the presidential, elections in February 2017. There is an air of excitement in the opposition ranks at the prospect of competing in an election which will not feature President Rafael Correa, whose popularity has proved an insuperable obstacle to opposition political aspirations for nearly a decade now. But talks to solidify an electoral alliance will not be plain sailing.

The prefect (governor) of Azuay, Paúl Carrasco, hosted a meeting in the provincial capital Cuenca last week attended by some 60 political leaders and figureheads to discuss the launch of Frente por la Unidad, an informal opposition coalition modelled (even in name) on Venezuela's Mesa de la Unidad Democrática (MUD), a broad coalition of opposition parties. Joining Carrasco were, inter alia, the long-serving mayor of Ecuador's coastal city of Guayaquil, Jaime Nebot, an inveterate opponent of President Correa and, intriguingly, Ramiro González, the leader of Avanza who served in the cabinet until falling out with Correa last April.

Conspicuous by his absence from the meeting was the man who finished second to Correa in the February 2013 presidential elections, Guillermo Lasso, a former banker and leader of the centre-right Movimiento CREO. Lasso snubbed the invitation to take part in the meeting. A member of Pachakutik (PK), the political arm of the country's largest indigenous organisation Conaie, was present at the meeting. But Marcelino Chumpi, the PK prefect of the south-eastern province of Morona Santiago, did not receive the endorsement of the leadership committee which is unconvinced by the coalition.

All of this explains Correa's dismissive reaction to the meeting. "When it comes to the time of selecting candidates, it [the Frente por la Unidad] will break apart," Correa said in an interview with the foreign press in the presidential palace Carondelet. This may well be true but for the Frente por la Unidad to have any chance of future success it needs to agree upon a common agenda first, before moving on to the issue of candidates. Only then will it establish credibility with the public to mount any kind of challenge to the ruling Alianza País (AP) in 2017.

Both Nebot and González agreed this should be the first priority. Indeed, González made it clear that his decision to attend the Cuenca meeting was not for electoral purposes or to discuss future joint candidates but rather a decision by his party to participate in a national dialogue process to overcome Ecuador's economic difficulties given the sharp decline in oil prices.

Economic issues present the opposition with its best chance of upsetting the AP in 2017. Correa's admission during an interview on 26 January that Ecuador needed credit to "keep subsisting" has caused controversy, with detractors accusing his government of wasteful spending during the good times and being ill-prepared for the bad times (*see sidebar*). Ecuador drew on yet further credit from the Industrial and Commercial Bank of China (ICBC) last week to the tune of US\$970m, the finance ministry announced.

The government is doing its level best to give the impression that investing in Ecuador is not a risky proposition in a bid to attract foreign investment. On 15 December last year the government made history when it paid in full the principal on a US\$650m global 2012 bond that had reached maturity, the

President Rafael Correa:

"Before this government [the country] was a family living in a straw hut on illegal land, with no education or healthcare for children, and the head of the family having lost his job leaving them in poverty without food. Now we are a middle class family, with a cement house, a car, legal land, educated and healthy children. Maybe we have a problem, perhaps the head of the family will lose his job but he has a credit card available to keep subsisting."

Keiko Fujimori

Most keenly anticipated was the contribution to the corruption debate by Keiko Fujimori, the frontrunner ahead of presidential elections on 10 April whose father former president Alberto Fujimori (1990–2000) ran a kleptocracy. Keiko offered “a firm government, drastic, implacable and with the stamp of transparency”. She added, “I know how to look at history and I’m not going to allow it to repeat itself.” Keiko said she would restructure and strengthen mechanisms of control and accountability in state institutions, such as the comptroller general’s office, so that they are not subject to political pressures.

first time Ecuador had repaid a bond since defaulting in 1832. And this week the government signed two contracts with the Chinese consortium Andes Petroleum to explore two oil blocks in the south-eastern province of Pastaza, which should see investment of up to US\$72m over the next four years. The hydrocarbons minister, Carlos Pareja Yannuzzelli, said the accord demonstrated the confidence that foreign investors had in Ecuador.

“This definitely singles out this day as one of the most important in Ecuador’s oil industry,” Pareja said “for the message we are giving is that the country generates confidence, because there are companies that want to invest despite current international oil prices. There are few places in the world where contracts like this are being signed.”

PERU | POLITICS & ENERGY

Camisea and corruption move centre stage

President Ollanta Humala raised a major electoral talking point this week by announcing that his government would renegotiate the contracts held by Argentina’s Pluspetrol and Spain’s Repsol to exploit the Camisea gas fields in order to increase the size of royalties paid to the state. None of the principal candidates contesting the presidential elections on 10 April have advocated renegotiating the Camisea contracts (four minnows have), while some are irrevocably opposed because of the damage they believe it will do to Peru’s image with investors. Humala’s move will appeal to the public, but whether it will be enough to provide the surge of support needed to propel Daniel Urresti, the presidential candidate for the ruling Partido Nacionalista Peruano (PNP), into contention is a decidedly moot point.

“We are planning a new renegotiation to generate more royalties for Peru,” President Humala said in reference to exports of natural gas from blocks 55 and 57 of the enormous Camisea gas fields. Speaking in the southern region of Tacna, Humala, who recovered block 88 for domestic use shortly after taking office, said that the renegotiation would be carried out “gradually”. He said it was important to help provide more resources for the state energy company Petroperú and the national treasury. It is difficult to see how the process can be concluded before April’s elections, however, after which the companies might simply drag on talks until Humala leaves office in July. This suggests Humala’s main motivation is electoral.

Urresti, who has pointedly refrained from commenting on the issue, has not made the impact on the polls that the ruling PNP would have hoped despite the encumbrance of his association with an unpopular government. The outsider showing the biggest move in the polls is César Acuña, the former president of the northern region of La Libertad running for Alianza por el Progreso (APP). But Acuña’s weak flank – corruption – was exposed during a forum organised this week by Proética, the Peruvian chapter of the NGO Transparency International (TI), which was attended by eight presidential candidates.

Acuña sent his running mate, Anel Townsend, to the forum in his stead. Townsend sought to spin Acuña’s absence as evidence that there was “no caudillismo” in the APP and that they worked as a team. But Acuña might have been keen to avoid discussing the sensitive issue of corruption, for which he is being investigated. The press has alleged that Acuña used public resources for clientelist ends, as well as awarding public contracts to those in his confidence in La Libertad. One of the main APP candidates for congress is Edwin Donayre, who resigned as commander of the army in 2008 after being charged with responsibility for an illegal scam to sell excess fuel. The case against him is still alive.

An ominous sign, as tensions continue to simmer

Four homemade explosive devices containing pamphlets exploded in an area close to the national assembly in central Caracas on 26 January. While people in the area were very alarmed, as the devices went off almost simultaneously, there was no damage caused or injuries sustained. Nerves in the capital are increasingly on edge, however.

According to the public ministry, three devices went off close to a local shopping centre and another on a corner close to the national assembly building itself. The pamphlets contained material purporting to be from a group calling itself the Fuerzas Bolivarianas de Liberación (FBL), which according to local press reports is an armed radical leftist group that operates along the border with Colombia.

The material appeared to advocate agitation on the streets. "Social conflicts are the only guarantee of the continuity of Comandante Hugo Chávez's process of change," said the material. "There is no peaceful solution to the conflict and they know it". The head of the opposition coalition Mesa de la Unidad Democrática (MUD) bench in the national assembly, Julio Borges, blamed the explosions on "people close to the government or with the complicity of those in power who want to create...panic to drown out discussion on important issues".

However, the pamphlets were equally damning of the government led by President Nicolás Maduro, declaring it "corrupt", and insinuating that it needed to be removed so as to allow others to continue to implement the Bolivarian Revolution. "It is time for the revolution's base to take the government," the flyers declared.

The FBL accused the 'Derecha Roja' ('Red Right') of destroying the Revolution and blamed it for the "overwhelming" loss to the opposition in December's midterm legislative elections. This could be interpreted as a reference to the 'Bolígarchs', the inner circle of connected officials, business people and so-called 'entrepreneurs' around the government that have been accused of accumulating some rather dubious spoils on the back of the oil-funded Socialist Revolution envisaged by the late president Chávez (1999-2013). A growing number of left-wing radical ideologues argue that Chávez's legacy needs to be protected as much from internal ruination by these 'Bolígarchs' as from external ruination by the 'oligarchs' – meaning Venezuela's traditional conservative elite and its allies in places like Miami and Washington.

Observers have long warned of deep splinters behind the uniform edifice of the Revolution. Chávez, a charismatic and consummate politician, had the skills – and importantly the money – to placate what is in fact a multifarious support base that while dominated by the ruling Partido Socialista Unido de Venezuela (PSUV) contains an array of political strands, including radical Trotskyites, for example. Maduro, who has failed to inspire confidence in the base, has little in the way of options given the serious economic crisis, and in the past 18 months these rifts have been very publicly exposed by internal dissidents including the group Marea Socialista, which continues to lambast the party leadership on websites like *Aporrea.org*. Some of these elements are now openly calling into question Maduro, his executive and the PSUV leadership.

Whatever the objective of the latest incident, it is suggestive of rising discontent from all sides within Venezuela, including on the far Left. Given that the country is awash with arms, there have long been concerns about the potential for violence instigated by radicals on either side of the political divide, who have been known in the past to hire armed criminal thugs to stir up unrest.

Caracas most dangerous city

Caracas has now assumed the title of 'most dangerous city in the world' from San Pedro Sula (Honduras), with an estimated homicide rate of 120 per 100,000 in 2015. Venezuela has eight cities in the top 50 most dangerous in the world, albeit Brazil fares much worse, with 20.

Another drugs embarrassment for Morales

The general director of Bolivia's coca control and industrialisation agency (Digcoin), Ricardo Paniagua, was forced to step down this week in order to be investigated for the unauthorised transportation of coca leaves. The resignation of Paniagua – the latest senior anti-drugs official to go over alleged corruption – is an embarrassment for the Movimiento al Socialismo (MAS) government led by President Evo Morales whose drugs policy distinguishes between the raw coca leaf (an important symbol of Bolivian indigenous culture) and cocaine, the illegal narcotic.

Interior Minister Carlos Romero announced Paniagua's resignation on 25 January, three days after the state news agency *Abi* reported that Paniagua, along with two other individuals, had been arrested en route to Cochabamba department, for transporting ten 'taques' (one taque = 50 pounds) worth of coca leaves in an official government vehicle without authorisation.

Paniagua had been in the post since July 2014, despite having faced previous corruption charges; according to Cochabamba-based daily *Los Tiempos*, in 2004 Paniagua had received a 10-year prison sentence for drug trafficking although it was unclear whether he served any of it or received a pardon. His departure also follows that of one of his predecessors, Luis Cutipa (2006-2013), who was forced to step down in 2013 after facing accusations of diverting between 35,000 tonnes (t) and 45,000t of coca to the illegal market over a period of several years [WR-13-40].

The scandals involving Paniagua and Cutipa follow those surrounding other high level anti-drugs officials like the former director of Bolivia's anti-drugs unit, Fuerza Especial de Lucha Contra el Narcotráfico (Felcn); René Sanabria, convicted of drug smuggling in the US in 2011; and Mario Fabricio Ormachea Aliaga, who was arrested in the US in September 2013. A former head of the special police operations force, Fuerza de Operaciones Especiales (FOE), in Santa Cruz between 2009 and 2010, Ormachea Aliaga was picked up for allegedly seeking to extort US\$30,000 from Humberto Roca, the former president of the national flag carrier Aerosur, which collapsed in 2012.

A controversial appointment

As well as the corruption concerns surrounding Paniagua, President Morales' choice of General Juan Gonzalo Durán Flores as the new commander-in-chief of the armed forces, appointed at the end of last year as part of a procedural change, has also proven controversial.

The general (who was promoted from the post of head of the air force [TAB]) stands accused of alleged corruption which took place in 2007 while he was serving as director of Transporte Aéreo Militar (TAM), an airline owned by the Bolivian air force. He is accused of signing a cheque for B\$522,920 (US\$75,698) for the purchase of aircraft parts which were supposedly never acquired.

While Durán had previously been called to testify as a witness back in October 2015 in relation to the case, local prosecutor Ángel Saravia announced on 8 January that he would be called to testify as a defendant.

Also under investigation are Julio César Villarroel (current TAM director); Jaime Flores (TAM's financial and administrative director in 2007); and José Ramiro Callapa (TAM's treasurer in 2007), amongst others.

These are not the only accusations against Durán. This month the state prosecutor's office revealed that a further three complaints had been presented –including for the alleged mistreatment of female cadets and irregular purchase of a building for the TAB.

Illegal market

The latest (September 2015) report by the United Nations Office on Drugs and Crime (UNODC) estimated that in 2014 the total volume of coca leaves traded in Bolivia's two authorised coca markets – Villa Fátima and Sabaca – weighed 19,797 tonnes (t), equivalent to 60% of total coca leaf production. The remaining 40% – or 13,240t – is believed to be destined for narco-trafficking. This is still less than the previous year (2013), when the UNODC estimated that almost half (47%) of Bolivia's total coca production was destined for narco-trafficking.

Macri makes breakthrough at Davos

If President Mauricio Macri had scripted events himself it would not have been too different. Macri's first appearance at the annual World Economic Forum (WEF) in the Swiss ski resort of Davos on 21 January culminated in two significant successes. Firstly, the US secretary of the treasury, Jack Lew, revealed that his government would drop its opposition to loans to Argentina from the multilaterals. Secondly, the British Prime Minister David Cameron extended a very cordial welcome to Macri, while both men signalled their willingness to push the thorny issue of sovereignty over the Falkland Islands (Malvinas) to one side in the interest of re-launching diplomatic relations.

The practical result of the US dropping a policy in place since 2011 is that Argentina will no longer face opposition from the US to loans it might seek from the Inter-American Development Bank (IDB) and the World Bank; instead the US will consider each future project on its own merits. Argentina's finance minister, Alfonso Prat-Gay, who accompanied President Macri to Davos and was informed by Lew of the decision by the US government, tweeted that it was "a concrete example of how to stop fighting with the world" and would "allow us to have better roads, more schools, more social inclusion". It was also a clear vote of confidence in Prat-Gay's opening gambits in the economic arena, not just ending capital controls and export tariffs but also undertaking to resolve Argentina's debt with holdout creditors, commencing with talks on 1 February.

US Vice-President Joe Biden praised Macri for coming to Davos with a member of the opposition, Sergio Massa, the leader of the Frente Renovador (FR) faction of the Partido Justicialista (PJ, Peronists), saying it was a practice the US should adopt. Macri's decision to invite Massa along also served the purpose of conveying his readiness to work with opponents in marked contrast to the proclivity for hostility of his predecessor Cristina Fernández (2007-2015).

Macri's preferred approach was in evidence during his talks with Cameron. Macri said his government stood "ready to open a new stage in our relationship". For his part, Cameron, who was swift to call Macri to congratulate him on his electoral victory last November adjudging that he could work with him to thaw relations, expressed his confidence that there were "quite a lot of issues where we can make a lot of progress and obviously we want to help the economic situation in Argentina and we are very interested in your reform plans [Britain is eyeing up energy infrastructure investment opportunities]...and we hope to build a good relationship". Macri designated a qualified economist and career diplomat, Renato Carlos Sersale Di Cerisano, as Argentina's new ambassador to London on 20 January.

Macri is also trying to enhance ties with Brazil. On 14 January Brazil's foreign minister Mauro Vieira paid his first visit to Buenos Aires since Macri took office. He brought a letter written by Brazil's President Dilma Rousseff, extending an invitation to Macri to visit Brazil and expressing confidence that together the two heads of state would "strengthen the friendship and strategic relations between our countries". Vieira signed Brazil up to a joint accord over drug trafficking which implemented an information exchange and border control mechanism already approved by the Southern Common Market (Mercosur).

Cracking down on drug trafficking is one of Macri's professed priorities. Macri declared a nationwide 'public security emergency' last week. He issued a resolution allowing the army to "identify, warn, intimidate and use force as a last resort" in the event of incursions in Argentine airspace by drug flights using the country as a transshipment point for cocaine from Bolivia and Peru heading to Europe.

Drug-trafficking

In his first interview with the foreign press on 20 January, President Macri said that under successive Kirchnerista governments "corruption became established in Argentine society as a whole". He added that the fight against drug trafficking would take years. He also maintained that the security forces had been partially infiltrated by drug-trafficking organisations (DTOs). He pushed 23 army generals into retirement on 14 January after replacing the military top brass in a bid to improve the professionalism of the armed forces. Brigadier General Bari del Valle Sosa is the new head of the joint command of the armed forces; Brigadier Diego Suárez, the new commander of the army; Rear Admiral Marcelo Eduardo Hipólito Srur, the head of the navy; and Brigadier Enrique Víctor Amrein, a veteran of the Falklands War, the head of the air force.

EIU democracy downgrade

TI's report tallied with a downgrade announced by the Economist Intelligence Unit on 21 January. In its so-called 'Democracy Index', Brazil was ranked 51st, down seven ranking points from its position in 2013. As such, Brazil was placed in the 'faulty democracy' category, falling from an overall score of 7.38 in 2014 to 6.96 in 2015. The study used five factors to determine the rankings: electoral process and pluralism; civil liberties; government functionality; political participation; and political culture. Uruguay was the only Latin American nation in the EIU category of 'complete democracy'.

Impeachment threat recedes for now

Even as the economic scenario deteriorates, the pro-impeachment movement is facing serious challenges. In particular, the chances of vice-president Michel Temer, from the Partido do Movimento Democrático Brasileiro (PMDB), successfully manoeuvring to take over from President Dilma Rousseff seem significantly reduced. Government sources are increasingly confident that she has at the very least the one-third support required in the federal congress to block impeachment proceedings.

The battle for the PMDB rages on

Key to the impeachment movement's success or failure is the attitude of the PMDB, but the party is now so riven with factionalism that it seems unlikely to be able to mobilise enough of its members in either direction. On 1 February, the party will hold an election to decide on its floor leader in the federal lower chamber of congress. Back in December an anti-government PMDB congressman, Leonardo Quintão, briefly managed to depose the pro-government Leonardo Picciani, but President Rousseff's allies succeeded in returning him to the leadership position after just one week. Now, in addition to those two candidates vying for the post, a third candidate, Hugo Motta, has emerged.

A least one sizeable carrot is being dangled by the government in front of PMDB members. The civil aviation ministerial post is currently vacant, and it is only likely to be filled after the election on 1 February. If the PMDB votes "correctly", the position and all its attendant perks (including lower level positions within the ministry for party loyalists) will go to the party. If it does not, another party will benefit. Just to ensure all bases are covered, the government last week started reaching out to Motta, who subsequently promised a "neutral" attitude towards impeachment.

Corruption

In its report published on 27 January, Transparency International (TI), the NGO based in Berlin, downgraded Brazil's positions in its global rankings. Brazil is now ranked 76th out of 168 countries, alongside Burkina Faso and Zambia, and below El Salvador, Bulgaria and South Africa. According to the report, without structural measures to tackle bribery Brazil, the arrests of senior businessmen and politicians as part of the 'Operation Car Wash' inquiry into the state-controlled oil company Petrobras is unlikely to improve perceptions of corruption in Brazil. The news arrived just as federal police embarked on the 22nd phase of 'Operation Car Wash', focused on criminal organisations masked as offshore companies and foreign bank accounts used to launder money.

According to Alejandro Salas, TI director for Latin America, 'Operation Car Wash' has "obscured" the lack of real reforms in the country. "Corruption has always existed in Brazil," he said. "But the question is how Brazil is perceived in the world today and the perception is very negative. Dilma Rousseff won the elections, but her reforms had not advanced a single centimetre."

The NGO argued that Brazil should adopt three concrete measures to rise up the rankings. Firstly, establish new political party financing rules. Secondly, create a new impartial, non-political civil service. Thirdly, reform the justice system so that it does not just depend on a few good individuals. On the positive side, TI praised the work of judges, the federal police and journalists.

Lula defended

On 27 January, Jaques Wagner, the cabinet chief, denounced an “obsession” with linking former president Lula da Silva (2003-2011) to the ‘Operation Car Wash’ investigation and said that he “deserved more respect”. Wagner’s comments follow the start of the 22nd phase of the investigation, dubbed ‘Triple X’. Its focus is offshore companies used to launder money from overpriced Petrobras contracts, but as part of this line of inquiry federal police are investigating an apartment in Guarujá, on the coast of São Paulo state, which is believed to belong to Lula’s family. Lula himself launched a robust defence on his Facebook page yesterday, while Wagner, and the justice minister, José Eduardo Cardoso, told the media that Lula is not under investigation.

Markets despair at central bank move

A decision by the monetary policy committee (Copom) of Brazil’s central bank to keep the benchmark interest rate (Selic) stable at 14.25% has not gone down well. In fact, it was not so much the decision itself, but the manner by which the committee came to the decision that alarmed investors. Early in the week, most analysts believed that a 50 basis point rate rise was likely; when Copom decided to leave it unchanged, many analysts questioned the independence of the central bank. Its president, Alexandre Tombini, held a meeting with President Dilma Rousseff just two days before the decision. Writing for *O Estado de São Paulo*, the economist Fábio Alves criticised Tombini’s decision, arguing that it is “not enough to be independent, you must also appear to be independent.”

On 21 January, a day after the decision, the real fell to its lowest-ever level against the US dollar, at R\$4.17/US\$1. Justifying its decision, Tombini referenced last week’s report by the International Monetary Fund (IMF) which slashed yet further growth expectations for last year and the next. The central bank also argued that a weak domestic economy and slowing Chinese demand for commodities would improve the outlook on inflation, signalling that it will continue to keeping borrowing rates on hold for the time-being.

However, Copom’s decision was not unanimous. Two of the eight members voted for a rate rise and the consensus among market estimates is that the Selic will increase to 15.25% in 2016. Inflation is still a significant problem. On 22 January, the official statistics institute (Ibge), released data showing that January’s inflation, at 0.92%, was down slightly on December’s 1.18%. Nevertheless it was still the highest rate of inflation for January since 2003. The 12-month accumulation is now 10.74%, up slightly from 10.71% in December.

Other bad news

As the markets were selling off the real following the central bank’s decision, the ministry of labour released the latest Caged employment data for December and the whole of 2015. Almost 600,000 jobs were lost in December; in the year as a whole, Brazil lost a total of 1.5m jobs, the worst result since this data series started in 1992. In 2014, the net result was 420,700 jobs created. The industrial sector lost the largest number of jobs, with 608,878 going; followed by civil construction (416,959); services (276,034); retail sales (218,250) and mining (14,039). Agriculture was the only sector to show any job growth, with 9,821 jobs created.

On the same day, the Receita Federal, Brazil’s tax office, announced a 5.6% fall in tax receipts between 2014 and 2015. Over the past year, the tax office collected R\$1.27trn (US\$240bn) in taxes, its lowest level since 2010. Once again, the drop in receipts reflects the deteriorating economic scenario in the country, which saw a fall in industrial production as well as the sale of goods and services. Income tax receipts were down by 7%, and revenues from tax on production also fell. Claudemir Malaquias, the head of the centre for tax and customs studies, said that falling employment would likely impact negatively on this year’s tax receipts too.

Petrobras sheds jobs

Over the past few months Petrobras, the state oil company at the centre of the massive corruption inquiry ‘Operation Car Wash’, sacked around 30,000 outsourced employees. Another 200,000 remain with 40,000 working directly within the company and the rest in external services and construction. Going forward, Petrobras has announced plans to eliminate some 5,000 management positions that will reduce the number of salary bonuses. In large part this retrenching is due to the continuing decline in the price of oil. Questioned about the company during a recent press conference, President Rousseff insisted that Petrobras “will not go bankrupt”.

IMF warning

Following the 20 January release of its latest World Economic Outlook (WEO) –in which the IMF slashed Mexico’s growth forecast this year by 0.2 of a percentage point to 2.6% – the IMF’s Director for the Western Hemisphere, Alejandro Werner, warned that if oil prices remained low, Mexico would have to make greater fiscal adjustments in the short term. Werner said that, “If the fall in oil prices is persistent, the efforts to consolidate the fiscal accounts in the medium term will be higher”. The Mexican government cut M\$221bn (US\$11.9bn) in spending last year as part of its bid to reduce its fiscal deficit. The government plans to cut another M\$135bn in 2016 but Werner said that this figure would have to be higher if oil prices do not rebound.

MEXICO & NAFTA

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Peso depreciation sparks political debate

The sharp and continued depreciation of the Mexican peso against the US dollar since the start of the year has raised concerns in some quarters of serious negative side effects for the domestic economy. This has led some in the political opposition to criticise the federal government’s handling of the situation and its overall management of the economy. While a rapid loss of value of the peso has in the past been a tell-tale sign of domestic economic weakness and of an imminent crisis, the government led by President Enrique Peña Nieto argues that Mexico’s economic fundamentals remain sound and that current exchange rate movements are not so much a reflection of the country’s domestic economic situation as global economic volatility.

The peso’s latest depreciation against the US dollar got going in mid-December 2015 when the US Federal Reserve (Fed) finally decided to increase its benchmark interest rates after keeping them at zero for nearly a decade in a bid to stimulate domestic economic growth. But with international oil prices dipping below US\$20 per barrel (/b) at the start of 2016, the value of the peso continued to plummet in January to the point that the peso/dollar exchange rate reached an all-time high of US\$18.80/US\$1 on 21 January – a 9% depreciation in less than three weeks. Indeed, the rapid loss of value of the peso was such that President Peña Nieto was forced to address the issue during his participation at the annual World Economic Forum in the Swiss resort of Davos between 20 and 23 January.

Asked about what impact the depreciation could have on Mexico’s economy, Peña Nieto responded that while the issue was “producing some concern among Mexicans”, unlike past instances, the current depreciation was not a reflection of the state of Mexico’s economy or a sign of a looming crisis but rather the reigning volatility in international markets due to the change in monetary policy in the US and the oil price shock.

Peña Nieto was adamant that this was temporary and the exchange rate would move to a more natural equilibrium once the volatility had subsided and financial markets settled. Peña Nieto’s remarks were backed up by his finance minister, Luis Videgaray, who accompanied him to Davos. Videgaray said that the peso was currently “clearly undervalued” as markets adjust to the oil price shock and the shift in US monetary policy. But he said that Mexico’s financial authorities were managing this volatility; and that they expected that it would be temporary, with the peso quickly appreciating once markets settle.

Videgaray argued that in recent years Mexico had pursued disciplined and consistent fiscal and monetary policies in support of macroeconomic stability, as well as embarking on structural economic reforms that put the country in a good position to deal with external shock factors. All of this was echoed by Agustín Carstens, the governor of Mexico’s central bank (Banxico). In an interview with the *Wall Street Journal*, published on 24 January, Carstens said that in his opinion international markets had “overreacted” to the changes to the international economic landscape; and that he expected there to be “a strong correction” in favour of the peso in coming weeks.

Criticism

Despite such assurances, the government’s failure to contain the exchange rate was criticised by the president of the right-wing opposition Partido Acción Nacional (PAN), Ricardo Anaya. During a 24 January interview with Mexican media, Anaya said that it was “unacceptable for the federal government to close its eyes” to the peso’s depreciation. “There is no doubt that

Business sector concerns

On 25 January business analysts told the Mexican daily *El Universal* that the sharp depreciation of the peso meant that Mexico's business sector was set to face one of the most "challenging" economic developments of recent years. All analysts agreed that the unfavourable exchange rate would impose restrictions on Mexican businesses' expansion plans and job creation, as a result of lower revenues, particularly those that import materials from the US, which could lead to lower overall economic growth. "What we can anticipate is that there will not be a substantial increase in hiring...the industrial sector could even reduce its labour force, which would imply a reduction in domestic consumption," explained José Luis de la Cruz of the Instituto para el Desarrollo y el Crecimiento Económico.

high US dollar prices are already affecting economic growth, job creation...and it is naïve to think that this will not lead to a generalised increase in prices," Anaya said. He added that the failure of the Partido Revolucionario Institucional (PRI) federal government to address this along with Mexico's rising debts and the low oil prices did not "guarantee [economic] stability or the well-being of families".

Instead Anaya accused the Peña Nieto administration of repeating the PRI's economic management formula of "getting into debt and [increasing] taxes, which it has implemented for over 70 years with disastrous results". Anaya said that, according to official figures, federal government spending has increased by 6.8% under Peña Nieto, while public sector investment has fallen by 13.9%, although the public debt stood at 45% of GDP last year, 10 percentage points higher than in 2012 when the PRI returned to power. "If this continues doubts will begin to emerge about Mexico's solvency," Anaya argued, stating that it is "urgent to cut current spending and promote public sector investment...as the PAN did when in government (2000-2012), which allowed us to overcome crises".

Anaya may have been seeking to launch the PAN's campaign ahead of the 2018 presidential elections early. But some of his concerns are shared by local analysts and even the International Monetary Fund (IMF) – in particular, the concerns that a weak peso could stifle economic growth and stoke inflation in Mexico. All of this prompted Videgaray to come out in defence of the government. That same day the finance ministry issued a report noting that the peso's depreciation has not yet produced any inflationary pressures, with the inflation rate increasing by 0.03% to 2.48% in the first 15 days of January after Mexico ended 2015 with all-time record low inflation of 2.13%. The report added that should the exchange rate movements produce inflationary pressures, the authorities had the capacity to implement anti-inflationary measures.

Two days later, on 26 January, Videgaray noted that despite the current adverse global economic scenario Mexico's economy was still growing thanks to the government's "responsible macroeconomic management". He added that the authorities were "prepared" to deal with any "adverse external scenario", pointing out that Banxico would continue with its daily US dollar auction scheme until the exchange rate begins to move towards a natural equilibrium. Videgaray concluded that the government's economic policy priorities have always been firstly to implement economic structural reforms and secondly to maintain economic stability, "not for its own sake, but to protect Mexican families".

TRACKING TRENDS

MEXICO | Fruitful Arabian Peninsula tour. President Enrique Peña Nieto concluded a five-day tour last week taking in Saudi Arabia, the United Arab Emirates (UAE), Kuwait and Qatar. The tour was billed as an opportunity to attract investment in Mexico's newly liberalised energy sector from countries that have a lot of experience in oil production. Given the current slump in oil prices, there was concern that the trip could prove unproductive, but Peña Nieto managed to seal a number of significant deals.

In Saudi Arabia, Peña Nieto signed nine economic cooperation agreements covering tourism; double taxation; tax evasion; and energy. In Kuwait, he signed 11 deals; in the UAE, 13. And, during his visit to Qatar, the first by a Mexican head of state, Peña Nieto signed 12 bilateral cooperation agreements, as well as establishing credit lines with the Commercial Bank of Qatar, the Doha Bank, and the Qatar National Bank. This after Mexico's energy minister, Pedro Joaquín Coldwell, who accompanied Peña Nieto on his tour, said that Mexico would need some US\$116bn in investment to fulfil its short-term energy-sector infrastructure development plans.

International concern

The international community had previously made clear its insistence on the vote taking place as per the electoral time frame, but it has since softened its stance. In a statement issued on 24 January, the US State Department deputy spokesperson, Mark C. Toner, urged the Haitian government, “its institutions, and political actors alike to take all steps necessary to pave the way for a peaceful election of a new president and the remaining Parliamentary seats as is constitutionally mandated”. The Organization of American States (OAS) and the United Nations (UN) have also expressed concern. On 22 January Sandra Honoré, the Special Representative of the UN Secretary General in Haiti, issued a statement noting that the UN, along with other members of the international community in Haiti represented in the ‘Core Group’ (the Ambassadors of Brazil, Canada, France, Spain, the US, the European Union and the OAS Special Representative), “reiterate their continued support for the conclusion of an inclusive and equitable electoral process”.

Still no elections

“A deteriorating security environment and threats to the electoral process”. These were the reasons given by the provisional electoral council (CEP) for its reason to cancel the 24 January election for the presidential run-off between Jovenel Moïse of President Michel Martelly’s Parti Haïtien Tèt Kalé (PHTK) and Jude Célestin of the opposition Ligue Alternative Pour le Progrès et l’Emancipation Haïtienne (Lapeh) party. Yet even prior to the CEP’s announcement, which came two days before the vote, Célestin had already said that he would not participate given alleged fraud during October’s first-round. With anti- and pro-government supporters taking to the streets and the CEP itself in disarray, the big question is what happens after 7 February, the constitutionally mandated date for the presidential handover of power – namely whether a transitional government will be set up (the preferred option of the political opposition) or Martelly will remain in power until a new president can be elected.

Four days before the CEP cancelled the vote, Célestin had announced that he would not take part in what he described as a farce. Specifically he cited the CEP’s failure to implement recommendations made by the official commission (CEEI) tasked with evaluating the first round. The CEEI, which released its report at the start of the year [WR-16-01], had called for changes to the electoral machinery and the resignation and replacement of all CEP members, four of whom have since stepped down with a fifth suspended over a corruption probe.

CEP president Pierre Louis-Opont announced the decision to cancel the vote after thousands of people took to the streets in the capital, Port-au-Prince, and in other parts of the country, calling for the elections to be suspended. A CEP press release notes the decision was taken amid reports of over a dozen incidents in which electoral offices had either been set on fire, or seen attempts to set them alight. Anti-government protests have been ongoing in recent weeks but fears that unrest could escalate have been triggered by the first media reports over the 23-24 January weekend of protests staged by Moïse supporters, demanding that the elections go ahead.

New legislature takes up its seats

Also postponed from 24 January are the contests for 26 seats in the 118-seat lower chamber and six seats in the 30-member senate, due to be re-staged (following irregularities in the 9 August legislative first round and 25 October run-off).

Of the 92 lower chamber seats, President Martelly’s PHTK has 26 plus 16 from allies. These include the party of Prime Minister Evans Paul, Konvansyon Inite Demokratik (KID), which was awarded seven seats; Ayiti An Aksyon (AAA) of Martelly’s advisor Yuri Latortue, which received six; and Steeve Khawly’s Reseau Nationale Bouclier Haïtien (Bouclier), three.

As for the opposition, Plateforme Vérité will have 13 seats and its allies Inité and Lapeh will have four and three respectively. Fanmi Lavelas (FL), the party of populist former president Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004), will have six and its allies, Renmen Ayiti and Petit Dessalines (PD), two and one respectively.

In the senate, of the 14 seats declared, PHTK will have two, its allies KID, three, and AAA, one. Meanwhile, Plateforme Vérité will have three, with FL and PD with at least one a piece.

Cracks emerge in the military

President Jimmy Morales's decision to fire Alfredo Sosa Díaz, the head of the joint chiefs of staff, has exposed divisions at the top. This has attracted particular interest given human-rights concerns about ties between former military officials and Morales's small, conservative Frente de Convergencia Nacional (FCN-Nación) government which took office on 14 January and the possible impact of these links on efforts to bring ex military officials accused of human-rights violations to justice.

President Morales fired Sosa Díaz on 21 January after the latter filed an appeal before the constitutional court (CC) against Art. 8 of the 1996 'national reconciliation law' signed after the civil war (1960-1996). While establishing provisions for "extinguishing criminal responsibility" for crimes committed during the war, the 1996 law specifically excludes enforced disappearance, torture or genocide. In his appeal filed on 12 January, Sosa Díaz was seeking to overturn this exclusion – meaning that those accused of these crimes would benefit from an amnesty. He argued that Art. 8 was 'divisive' for the country.

The move by Sosa Díaz, which the CC rejected a week later, prompted concerns from human-rights activists like Helen Mack of the Fundación Myrna Mack. It followed the 6 January announcement by the attorney general's office (AG) both that 14 former military officials had been arrested in relation to alleged civil war human-rights violations and that it was requesting legal action against (Ret.) army colonel Edgar Justino Ovalle Maldonado, an FCN-Nación national legislator, for similar alleged crimes [WR-16-03]. Ovalle is a founding member of the military veterans' association (Avemilgua), which set up FCN-Nación in 2004.

As well as provoking outrage from human-rights groups, Sosa Díaz's appeal was also rejected by the defence ministry which made it clear that he was acting in a personal capacity. Further indicative of these divisions within the security institutions, Sosa Díaz himself filed a legal complaint against Defence Minister William Mansilla Fernández on 22 January claiming that he violated the constitution by handing over classified military documents to the AG.

First cabinet departure

On 25 January President Morales announced the resignation of his communications & infrastructure minister Sherry Lucrecia Ordóñez Castro.

According to an official statement, Ordóñez stepped down for "personal reasons". However her departure after just 11 days in the job came on the heels of local media reports and a legal complaint filed against her on 21 January before the supreme court (CSJ) by a civil-society group, Centro de Acción Legal Ambiental y Social (Calas), over the fact that her engineering company, Ingeniería y Servicios Viales (Insevi), was a state contractor, which is illegal for someone in her post. According to local investigative daily *El Periódico*, Insevi won Q\$15.78m (US\$2.1m) in state contracts between 2006 and 2014.

Other civil-society groups like '#JusticiaYa', which had organised the mass protests last year against government corruption that ultimately forced Otto Pérez Molina to step aside as president in September 2015, had also been calling for Ordóñez's departure.

The incident regarding Ordóñez, who has since been replaced by the deputy communications & infrastructure minister, José Luis Benito Ruiz, is a major embarrassment for Morales, who has acknowledged on repeated occasions that his anti-corruption platform and perceived independence from the badly discredited and corruption-hit political establishment proved crucial to his electoral victory.

More allegations

Sherry Lucrecia Ordóñez Castro also faces allegations of tax avoidance. While official details were not provided, the national investigative daily *el Periódico* reported that Ordóñez had claimed that she owed the tax authorities (SAT), between Q\$70,000 (US\$9,145) and Q\$75,000 (US\$9,798). However investigations carried out by *el Periódico* suggested this figure was more like Q\$287,000.

US banks remain cautious, citing the embargo

David Schwartz, chief executive of the Florida International Bankers Association, told *The Miami Herald*, “The [Obama] administration is looking at anything it can do within the scope of its authority that won’t contravene the embargo...What we have is some wiggle room for authorized exports. But we come back to the same issue of the embargo.” He suggested that while previous amendments had already authorised US businesses to open and maintain bank accounts in Cuba, and US financial institutions to open correspondent accounts at Cuban banks to process authorised transactions, most US banks may prefer to wait until export volumes are significantly larger in scale before getting involved in the nascent US-Cuba commercial relationship. Some may not look at the market until the embargo is removed.

Opening up the trade route

The US government has announced new amendments to the Cuban Assets Control Regulations (CACR) and Export Administration Regulations (EAR), aimed at expanding travel, trade and US engagement with Cuba. Under the changes, US companies will be able to sell to Cuba on credit and export certain products to the Cuban government for the first time in over 50 years. The changes took immediate effect as of 27 January.

Announced by the US Department of the Treasury’s Office of Foreign Assets Control (Ofac) and the Department of Commerce’s Bureau of Industry and Security (BIS), the big change is in the removal of financing restrictions for most types of authorised exports and re-exports, meaning that US companies will be able to sell on credit to Cuba, rather than requiring cash-in-advance.

US Commerce Secretary Penny Pritzker in a press statement said that the changes (which followed Pritzker’s fact-finding trip to Cuba in October last year and the first round of a new US-Cuba Regulatory Dialogue – set up in support of the legal changes involved in the process to re-establish full diplomatic relations) “build on previous changes by authorising additional exports including for such purposes as disaster preparedness; education; agricultural production; artistic endeavours; food processing; and public transportation”. The changes, which establish a “case-by-case licensing policy for exports and re-exports of items to meet the needs of the Cuban people, including those made to Cuban state-owned enterprises, will also facilitate exports that will help strengthen civil society in Cuba and enhance communications to, from and among the Cuban people”.

The changes will also facilitate implementation of the new civil aviation agreement, announced in December, under which US airlines are due to recommence scheduled flights from the US to Cuba, alongside existing charter flights. The press release notes that the amendments allow “blocked space, code-sharing, and leasing arrangements with Cuban airlines” and authorise “additional travel-related and other transactions directly incident to the temporary sojourn of aircraft and vessels” as well as allowing for expanded travel to Cuba within the 12 categories of travel already authorised for US nationals.

While hailing the changes, the US National Security Council (NSC) spokesperson, Ned Price, was clear in a statement that the US wanted more concessions from the government led by President Raúl Castro, noting that while the US is “doing its part to remove impediments that have been holding Cubans back, we urge the Cuban government to make it easier for its citizens to start businesses, engage in trade, and access information online”.

As such, the Pritzker press release also noted that “a general policy of denial” will still apply to exports and re-exports for use by state-owned entities that primarily generate revenue for the state and for use by the Cuban military, police, intelligence and security services. Acknowledging the changes, Cuba’s daily *Granma* observed that even though subject to conditions, this is “the first time that the participation of the Cuban state has been accepted in these types of negotiations”.

Among those in Cuba likely to benefit are those small entrepreneurs running restaurants or ‘casas particulares’, who will be able to get kitchen equipment under the food processing provision, for instance. Interestingly, the changes also make it easier for US companies to shoot movies/TV shows, or organise live music concerts and sports competitions in the country.

POSTSCRIPT

Quotes of the week

“We can only combat and defeat [the Aedes Aegypti mosquito] if the population works with us.”

Brazil's President Dilma Rousseff.

“Nobody who is here is the saviour, a magician or the Messiah...The [economic] crisis should be addressed by everybody together, we have to change the reigning logic.”

Ecuador's Paúl Carrasco, governor of Azuay, speaking at the launch of a new opposition coalition.

“I have suffered and I have carried a very big burden on my back for the errors of third parties...and I will never allow my children to carry the burden that I have carried for so many years.”

Peru's presidential frontrunner Keiko Fujimori speaking at a forum on corruption.

Colombia earns ringing endorsement

All the focus in Colombia this week has been on the United Nations Security Council's swift acceptance of a request by President Juan Manuel Santos to send a mission to verify a bilateral ceasefire and the demobilisation of the Fuerzas Armadas Revolucionarias de Colombia (Farc) [WR-15-03]. There was another historic development in the very same week, however, which was significantly less encouraging. The Colombian peso reached its lowest value ever against the US dollar, prompting the finance minister, Mauricio Cárdenas, to express concerns about the current account deficit.

“Colombia received the world's support,” President Santos said in response to the UN Security Council resolution on 25 January to carry out the verification mission. Santos said that only 14 resolutions in more than 70 years had received unanimous support from the 15-member body. The resolution, which was tabled by Britain, called on the UN secretary general, Ban Ki-Moon, to “initiate preparations now and present recommendations on the size, operational aspects and mandate of the mission”.

The fulsome support from the Security Council confers real credibility on the peace process. Another big positive repercussion is that it places a tacit obligation on the Colombian government and the Farc to maintain the rhythm of the talks in Cuba. Santos appeared at a meeting of the Community of Latin American and Caribbean states (Celac) in Quito on 27 January, to explain the role that the body will play in verifying the ceasefire and “to formalise its contribution to this special mission”. The head of the government's negotiating team in Cuba, Humberto de la Calle, said Farc guerrillas would be concentrated in eight areas, which are yet to be agreed upon.

There were fresh concerns about the government's ability to fund the peace without significant external funds, however, after the peso fell to a record low of Col\$3,406/US\$1 last week, before slightly rallying, due to the continued slump in oil prices. Cárdenas said on 25 January that without further spending cuts or interest-rate increases the current account would register its widest deficit for 30 years. The deficit increased to US\$5.25bn in the third quarter. Cárdenas said the government would spend up to US\$2bn in the domestic market to prop up the peso. He also expressed his hope that the arrival of the first tranche of US\$297m from the sale of the state-controlled electric power generation company Isagén would help to ease the peso's depreciation.

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