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Santos wins major cash injection as US revamps Plan Colombia

Colombia's President Juan Manuel Santos has received a massive vote of confidence from his US peer Barack Obama in his pursuit of a peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc). While attending a reception together in the White House to commemorate the 15th anniversary of Plan Colombia, the counter-narcotics and counter-insurgency initiative funded by the US to the tune of nearly US$10bn, Obama announced that his government would request US$450m from congress, with no strings attached, for 'Peace Colombia', a rechristened 'Plan Colombia' for a post-conflict era. This would mark a jump of more than 50% on Plan Colombia funding for 2016, but there is some concern that bipartisan backing might not endure beyond Obama.

"The tide has turned," President Obama said. "In short, a country that was on the brink of collapse is now on the brink of peace. And just as the United States has been Colombia's partner in a time of war…we will be your partner in waging peace," Obama added before announcing "a new framework for the next chapter of our partnership" called 'Peace Colombia – Paz Colombia'. "If in Colombia, we are on the brink of a peace agreement," President Santos responded, "I can say without a doubt that Plan Colombia was crucial in helping us get there". He added: "Peace will be the cherry on the cake of Plan Colombia and the start of a new chapter…of collaboration and friendship between our two nations".

The Farc disputes the fact that it was driven to the negotiating table after sustaining 15 years of heavy blows from a better trained and equipped armed forces, although 'Pastor Alape' (Felix Antonio Muñoz Lascarro), a Farc leader on the guerrilla negotiating team in Cuba, welcomed Peace Colombia. "A country that has been involved in the Colombian conflict should also be involved in…resources for peace, reconciliation and prosperity of those who suffered, especially the victims," he said. The announcement of Peace Colombia follows confirmation by the United Nations Security Council that it will send a special mission to verify the disarmament of Farc guerrillas.

Santos argued that Plan Colombia had been successful because it was not "an exclusively military or security initiative [but] a comprehensive strategy…that also bet on social programmes, on justice, on rural development, and on strengthening our democratic institutions". While funds had been redirected in recent years away from a military focus, the fact remains that 71% of the US$9.94bn received through Plan Colombia since 2000 went to the security forces (as much as 80% before 2008). This helped contribute to a dramatic decrease in annual homicides from 28,837 in 2002 to 12,673 in 2015, accompanied by a sharp fall in mass killings (four or more per incident) from 680 to 54 over the same period. Kidnappings also fell by 94% from 2,882 to 210.

Zika collaboration

President Obama also announced that the US and Colombia would work together to expedite research into the harmful impact of the Zika virus. He said that the two countries would conduct joint research to develop testing and vaccines, as well as sharing epidemiological information and specimen samples in the hope of establishing whether or not there is a definitive link between Zika and microcephaly, and other disorders. The US Centers for Disease Control and Prevention will work with Colombia's national health institute, whose head, Martha Lucía Ospina, claimed this week that "we have confirmed and attributed three deaths to Zika". Ospina added that "the three deaths were preceded by Guillain-Barré syndrome", a serious condition of the peripheral nervous system.

It was not an unmitigated success, however, as some military units committed human rights abuses, and colluded with paramilitaries killing innocent civilians. The US Secretary of State John Kerry specifically referred to "a dark chapter of this conflict, that of the false positives", during a joint press conference with Santos on 5 February. Kerry praised Santos for his "commitment to forging a peace agreement that ensures meaningful justice for those and other crimes". The fact that former members of the military could be held accountable through the same transitional justice system as guerrillas is one of the many reasons why former president Alvaro Uribe (2002-2010) opposes the peace talks.

Uribe, who snubbed Obama's invitation to attend the reception commemorating Plan Colombia's 15th anniversary, argued that myriad "concessions" to the Farc in Cuba were undermining all of the achievements of the US-funded initiative. Uribe also claimed that since he had left office in 2010 these achievements had been rolled back significantly. He pointed to a "substantial increase in illicit coca cultivation with the result that 170 tonnes of cocaine were produced in 2010 and 400 in 2014". As Plan Colombia was initially conceived as a counter-narcotics initiative, by this yardstick it has not been a resounding success. It was noteworthy that neither Obama nor Kerry referred to drugs during their evaluations of Plan Colombia.

Coca cultivation stood at 163,000 hectares (ha) in 2000 and fell swiftly to 80,000 ha by 2004, according to the United Nations Office on Drugs and Crime (UNODC), due to intense eradication efforts. It was close to returning to these levels in 2014, however, jumping by 44% on the previous year to 69,000 ha and catapulting Colombia back to the position as the world's main coca-producing country. During a visit to Colombia last November, the US State Department's drug czar, William Brownfield, linked the rising coca cultivation and cocaine production in the country to increasing cocaine consumption in the US. He also stressed that the peace talks and the suspension of aerial fumigation of coca crops with glyphosate necessitated a re-thinking of anti-drug policies.

Its is the drug-related statistics, coupled with Uribe's fierce criticism of the peace process, which motivated Santos to make strong appeals to senior figures in the US Congress, especially Republicans who retain a healthy respect for Uribe, to back Peace Colombia. Santos sought to downplay the increase in coca cultivation over the last two years in Colombia, arguing that "the number of rural families that are involved in this business of cultivating coca has been reduced by two-thirds". He argues that peace with the Farc will take a major player out of the drug-trafficking business and open up areas of coca cultivation to alternative development. On 3 and 4 February Santos met the speaker of the House of Representatives, the Republican Paul Ryan, and the senate leaders, Republican Mitch McConnell and Democrat Harry Reid, to try and convince them to support the peace process and the switch in focus of US financial assistance.

Peace Colombia will focus on three areas: reinforcing security gains (including reintegrating demobilised Farc guerrillas into society); extending opportunity and the rule of law into areas denied them for decades; and supporting the post-conflict transitional justice system. Kerry also earmarked US$33m for Colombia's ambitious campaign to clear every landmine in the country by 2021.

US funds will go into the Fondo Colombia en Paz, administered by the post-conflict minister, Rafael Pardo. Santos sought more funds in meetings with the president of the Inter-American Development Bank (IDB), Colombia's Luis Alberto Moreno, and the director of the International Monetary Fund (IMF), Christine Lagarde during his last day in Washington. Santos told Moreno that "the post-conflict is in reality a great development plan" to reduce inequality, strengthen institutions and expand investment in infrastructure and clean energy. Lagarde praised the government's response to the fall in oil prices, adding that a peace accord would improve the investment climate, especially in rural areas.

VENEZUELA | POLITICS AND ECONOMY

Opposition moots advancing presidential election

There appears to be gathering support for an opposition proposal to amend the constitution so as to bring forward the presidential election from December 2018 to December this year. The devil will be in the detail, however, and with both the national electoral council (CNE) and the supreme court in its pocket, the executive power led by President Nicolás Maduro has plenty of weaponry left to block any such move.

In a press conference on 10 February the secretary general of the leftist opposition party La Causa Radical, José Ignacio Guédez, said that the consensus in the opposition coalition Mesa de la Unidad Democrática (MUD) is for a constitutional amendment to bring forward the 2019 presidential election to December this year. "There isn't a better proposal and even those that before had proposed a recall referendum are now clear that the constitutional amendment is the best way," Guédez said. He added that there is a sense that the government "is doing nothing" in the face of the political, economic and security crisis facing citizens and that this inaction is "sharpening" the crisis.

Guédez said that the constitutional amendment proposal had been put to all the parties in the MUD and that it would have the requisite simple majority support for approval in the national assembly. Moreover, the consensus is that it is "juridically viable", Guédez added, an important point given that the executive would likely seek to fight the move. A constitutional amendment that does not alter 'the structure' of the constitution only requires a simple majority, anything that fundamentally changes the structure, such as a constitutional reform, requires a two thirds majority. The proposal, publicly presented by Andrés Velásquez, one of the senior leaders of Causa R, on 2 February, suggests a reform to remove the clause (introduced by amendment in 2009 by the Chavista national assembly) to allow for indefinite re-election; and to shorten the presidential term from six to four years with one consecutive re-election permitted.

Governors and mayors would no longer be eligible for indefinite re-election either, but could seek two consecutive re-elections after their first terms, so as to permit them three terms in all. And the terms of supreme court justices would be halved, from 12 years to six, with those having already served six years to be replaced forthwith.

The proposal suggests that the current term (presidential and also that of sitting governors and mayors) would end on 9 January 2017, and so elections would have to be held by December this year. The amendment, assuming approval in the legislature, would then be put to the public for approval via referendum. Assuming public approval, the assembly would then order the CNE to organise elections, which it would have to do within 30 days.

According to Guédez, the MUD is fearful about the logistics of a presidential recall referendum, which would require the opposition to collect the signatures of 20% of the registered electorate (almost 4m people) in the space of three days and subsequently submit these for submission to the CNE – which is effectively government-controlled – for verification.

Unless the recall referendum is held by the end of this year it loses its intended effect – fresh elections – as if it were to be held in 2017 or thereafter the vice president would instead take over and see out the rest of the term

Zika

There are mounting concerns that Venezuela is one of the Zika virus 'hotspots' in Latin America, with some suspicion that local authorities have been underestimating and/or underreporting cases in the country. The Venezuelan health ministry puts the official number of cases at about 4,700; however doctors suggest to foreign reporters that the true figure could run to 400,000. The country's medical emergency could exacerbate the situation, medics warn. Curiously, it has emerged that Venezuelan travellers were responsible for the isolated cases to date in Peru, China and also in Texas, US, where the virus was sexually transmitted to a Venezuelan man's partner after his return from a trip home.

until the scheduled late 2018 presidential election. The MUD thus calculates that the timing this year for a recall referendum may simply be too short and that the government, with the likely support of the CNE and/or the supreme court, would probably be able to block or delay it.

However, that said, the likelihood of the supreme court bench allowing itself to be decapitated under the Causa R amendment proposal, which would oblige sitting magistrates to step aside, is also almost nil. The pliant, government-sympathising judiciary is one of the biggest obstacles to whatever legal moves the opposition comes up with between now and 2018. The question is whether without such an alternative the country might risk serious social unrest as the economy spirals downwards in the absence of an oil price recovery – which still looks a distant prospect despite Venezuela's latest diplomatic efforts at the Organization of the Petroleum Exporting Countries (Opec) to secure a price floor. (The International Energy Agency this week again warned of a large global supply glut and a lengthy period ahead of low prices).

Oil

With Venezuelan oil at US$25 per barrel, the country's oil earnings would fall to about US$22bn this year, according to a Bank of America report on 8 February. The bank suggested that this amount would barely cover US$10bn of debt service on bonds; US$4.3bn needed for essential imports for the oil sector; and an estimated US$6.2bn due in payments on Chinese loans.

Causa R emerges from the background

The left-leaning Causa R, originally linked to the Venezuelan labour movement in Guayana, almost won the 1993 presidential election with Andrés Velásquez. Notably, another of its more high-profile members was Aristóbulo Istúriz – now Maduro's vice president – who in 1992 was elected mayor of Caracas for the party. Another was Francisco Arias Cárdenas, one of the late Hugo Chávez's co-conspirators in the failed 1992 coup attempt – later elected governor of Zulia state for the party.

Istúriz and others including Alí Rodríguez Araque led a radical faction that split away from the party in 1997 and founded Patria Para Todos, which went on to back Chávez's successful presidential bid in 1998. (Araque later held energy, foreign and finance portfolios under Chávez and is now Venezuela's ambassador to Cuba, where it is believed that he, like Chávez before him, may be seeking treatment for a recent bout of cancer).

Istúriz, meanwhile, is now being touted by many on both sides of the political spectrum inside Venezuela as potentially a linchpin of any eventual transition from Maduro to another administration. Ultimately, these veteran politicians, rather than the new young guns like Leopoldo López (whose aggressive rhetoric and political grandstanding has regularly been his undoing), may be the ones best placed to use their longstanding fraternal links and political nous to engineer a peaceful way out of the severe political and economic crisis afflicting the country.

Maduro on *Facebook*

President Maduro has signed up to *Facebook* in order to "amplify" his social media presence. The page went live on 9 February. To date, Maduro used the page to say that he had a meeting with the coordination team for the 'Bolivarian Economic Agenda', led by Vice-President Istúriz to "revise all the decisions that I have activated, along with the national council for the productive economy". He did not elaborate.

However, Rodrigo Cabezas, a former finance minister under Chávez and part of the new national council for the productive economy, has said that the council is considering things like the exchange rate, price controls, the country's longstanding gasoline subsidies and import substitution. New announcements are imminent, according to Maduro, albeit he tends to pledge similar on a daily basis.

Maduro's *Facebook* page already has over 140,000 'Likes'. The president's *Twitter* account has 2.7m users. He also has his own webpage (nicolasmaduro.org.ve), which features headlines such as "TSJ [supreme court] is the bulwark of constitutional stability".

BOLIVIA-BRAZIL | DIPLOMACY

Morales and Rousseff re-energise ties

This week Bolivia's President Evo Morales travelled to Brasília to meet President Dilma Rousseff – his first official meeting with Rousseff in Brazil since she took office in 2011. Morales's visit, which follows other recent meetings between high-level officials from both sides, produced agreements in the traditional area of energy cooperation as well as railway infrastructure (*see sidebar*) and anti-drug efforts among other areas. It is the latest sign that, after more than two years of tensions, bilateral relations are on the mend.

Of the agreements announced following the 2 February visit by President Morales, who was accompanied by a high-level ministerial delegation including the hydrocarbons & energy minister, Luis Alberto Sánchez, and Guillermo Achá, the head of Bolivia's state-owned oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), those relating to energy attracted most attention. Brazil remains Bolivia's most important export market, accounting for 27.5% of its total exports (worth US$8.9bn) in 2015 according to a report this week by Bolivia's national statistics institute (INE), with hydrocarbons accounting for the overwhelming bulk of exports to Brazil. Up for discussion was a new bilateral gas contract as the current 1996 Gas Supply Agreement (GSA) – which establishes a minimum sale of 24m cubic metres of gas per day (mmcm/d) and a maximum of 30.08 mmcm/d – runs out in 2019.

As well as confirming the continuity of the GSA as of 2019 and "for the long term", Sánchez, who together with Achá had already met representatives from Brazil's energy ministry on 28 January in Bolivia's Santa Cruz department, also announced other agreements. As well as plans for closer cooperation between YPFB and Brazil's state-controlled oil company, Petrobras, these included the possibility of Bolivia exporting liquefied natural gas (LNG) and liquefied petroleum gas (LPG) to Brazil, products it is already exporting to neighbours like Peru and Paraguay, as part of its declared aim of becoming South America's 'energy heart' [WR-15-27].

The announcement regarding closer energy cooperation follows a visit by Sánchez last December to Brazil where he met his Brazilian peer Eduardo Braga. In July 2015, Morales and Sánchez travelled to Brazil, a visit which produced a memorandum of understanding (MoU) to create a binational technical committee to explore joint opportunities in the areas of energy infrastructure and cooperation, including Bolivia's supply of gas to Brazil.

Morales's visit to Brazil is the latest sign of improved bilateral relations which have been strained since the August 2013 incident in which Bolivian opposition senator Roger Pinto, who in May 2012 had requested asylum in the Brazilian embassy claiming political persecution, was smuggled out of Bolivia by Brazil's senior-ranking diplomat in La Paz. Brazil's ambassador to La Paz, Marcel Biato, was sacked over the incident leaving a vacancy which was only filled last December by Raymundo Santos Rocha Magno. Bolivia has also lacked representation at an ambassadorial level in Brazil after Jerjes Justiniano stepped down last April on Morales's orders, and the Bolivian government has said on various occasions that it plans to replace Justiniano.

As well as Santos Rocha's assumption of his post in December, an agreement announced in November 2015 between Bolivia's anti-drugs agency (Felcn) and Brazil's federal government to strengthen cooperation and carry out binational operations against drug trafficking and crime along the 3,423km shared border has also been hailed as a sign of improved ties. Brazil had initially stepped in to cooperate with Bolivia's anti-drug efforts after the US Drug Enforcement Administration (DEA) was ejected from Bolivia in 2008 (amid a diplomatic spat with the US) but this cooperation had since waned following the Pinto incident.

Transoceanic railway

President Morales also secured important backing from President Rousseff regarding the possibility of the proposed transoceanic railway (Corredor Ferroviario Bioceánico Central) linking Brazil and Peru passing via Bolivian territory. The project is designed to provide an east-west freight transport link stretching across South America from Brazil's Atlantic coast to Peru's Pacific coast. President Morales already obtained similar support from his Peruvian counterpart, Ollanta Humala, on 27 January on the sidelines of the recent Community of Latin American and Caribbean states (Celac) heads of state summit in Ecuador. In May Presidents Humala and Rousseff signed a series of agreements with China's Prime Minister Li Keqiang designed to get the project off the ground.

ARGENTINA | POLITICS & ECONOMY

Haircut but not severe

After a week of intense negotiations, the finance secretary, Luis Caputo, presented a proposal to 'holdout' creditors in the US on 5 February in an attempt to resolve Argentina's long-running debt dispute once and for all. Two of the hedge funds accepted the proposal for a haircut of 25%, meaning it would pay out on some US$6.5bn of claims totalling US$9bn. Despite the official mediator in the dispute, Daniel Pollack, describing the proposal as "a historic breakthrough", four hedge funds are yet to accept it, although the Argentine government has important political backing from the White House. President Mauricio Macri, meanwhile, conducted a trip to northern Argentina bearing gifts designed to encourage further splits within the main opposition Partido Justicialista (PJ, Peronists), which will be essential to win backing for any deal with the 'holdouts' at home.

Pollack released a statement on 5 February revealing that "enormous progress" had been made and that if two conditions were met – approval of the deal by Argentina's federal congress and the lifting of an injunction issued by US District Judge Thomas Griesa – Argentina would be able "to return to the global financial markets to raise much needed capital". Pollack praised President Macri and Finance Minister Alfonso Prat-Gay for their "courage and flexibility in stepping up to dealing with this long-festering problem which was not of their making". Two of the six leading 'holdouts' signed agreements in principle, and Pollack added that it was his "strong hope that with continued negotiations those [remaining] firms, too, will be able to resolve their differences".

Two days later some details of these "differences" emerged. Mark Brodsky, the CEO of Aurelius Capital Management, essentially accused the Argentine government of playing fast and loose by offering to pay another hedge fund, Dart Management, in full to secure an agreement (Dart and Montreux Partners were the two firms to accept the proposal). Argentina's finance ministry insists that the offer did not vary and its treatment of all the hedge funds was identical. The explanation for the apparent discrepancy could lie in the fact that the claims, and consequently the interest attached to them, differ.

The Macri administration has strengthened its hand with the 'holdouts' through the reforming zeal it has demonstrated since coming to power which has won over the US government. The US department of the treasury released a statement pointing out that the treasury secretary, Jack Lew, had spoken to Prat-Gay by phone on 7 February commending the government for its "good faith efforts to resolve this longstanding dispute" (*see sidebar*).

Prat-Gay and Lew

Finance Minister Alfonso Prat-Gay impressed the US treasury secretary, Jack Lew, at the annual get-together at the World Economic Forum in Davos, Switzerland, just two weeks ago. Lew praised the new Argentine government's early efforts then and revealed that his government would drop its opposition to loans to Argentina from the multilaterals.

Playing on PJ rift

If an agreement can be reached with the remaining 'holdouts' over the next two weeks the first bill the Macri administration will send to the federal congress when the new session commences on 1 March will be to lift the so-called 'Ley Cerrojo' ('padlock law'), in place since 2005, in order to seal approval for any deal. The Macri administration has adroitly exploited divisions within the PJ so far, but on paper this still looks like a formidable challenge given Peronist pre-eminence. In reality, however, much of the PJ is pliant and if Macri plays his cards right, winning the requisite support will be much easier than it looks

The federal senate is controlled by the Frente para la Victoria (FPV) faction of the PJ. But only 12 of the 42 FPV senators respond to Kirchnerismo. The other 30 are more attuned with traditional Peronism and answer to the leader of the FPV bloc, Miguel Angel Pichetto, who is open to discussions with the government. In the lower chamber, of the remaining 83 FPV federal deputies after last week's rift [WR-16-05] only 34 can be considered firm Kirchneristas; the other 49 are potentially malleable, many answering to PJ governors who are conscious that a deal with the 'holdouts' will enable Argentina to access international capital markets which will mean more funds coming their way. This could all diminish Macri's dependence on Sergio Massa, the leader of the dissident PJ faction Frente Renovador (FR) in the lower chamber.

Macri bears gifts to northern provinces

The Macri administration sent an immediate signal that it is prepared to reward PJ-controlled provinces prepared to cooperate with it. Just days after the governor of Salta, Juan Manuel Urtubey, led an exodus from the FPV in the federal lower chamber, Macri headed north with measures to boost provincial economies and overhaul road infrastructure as part of his US$16bn 'Plan Belgrano' investment programme [WR-16-03].

Macri said a new direct flight between Salta and Peru would launch within a few months, connecting the province to the outside world. While meeting Urtubey and the PJ governor of Tucumán, Juan Manzur, as well as the governor of Jujuy, Gerardo Morales, from the ruling Cambiemos coalition, and Massa in Tucumán, Macri announced an increase in Argentina's ethanol blend in petrol from 10% to 12% to provide a big boost for northern sugar-producing provinces. He went on to proclaim that "the north will be the great engine of growth in Argentina". Macri will be hoping that some of the largesse he displayed on his trip will encourage other opposition governors to instruct their federal legislators to desert the FPV in the near future.

Solar plant

President Macri announced plans to build a 3GW solar plant in Jujuy during his trip north. The federal government will foot most of the investment, which aims to push Jujuy towards 70% energy provision from renewables within the next eight years (from less than 8% now). "Jujuy and northern Argentina can be a place for the future generation of solar energy and an example of what we can do for Argentina and the world," Macri said in the context of climate change. He accused the previous government of inculcating a culture of energy waste through massively subsidised power prices.

BRAZIL | HEALTH

Few good options available to tackle Zika

On 5 February, just hours ahead of the official start of Carnival, researchers from the respected public health institute, Fundação Oswaldo Cruz, announced that they had discovered active samples of the Zika virus in saliva and urine. This did not, however, appear to put much of a dampener on the traditionally sexually-charged street parties that characterise much of the five-day event in Brazil's major cities, leading some experts to fear the event may have accelerated the spread of the virus. Active elements of the Zika virus have also been found in semen and breast milk, but there is still a vast amount of uncertainty about the transmission of the disease. With the clinical nature of the link between Zika and microcephaly also still unknown, the government is attempting to tackle rumour and panic, as much as the Aedes Aegypti mosquito.

President Dilma Rousseff gave a nationally televised address last week in which she called for Brazilians to participate in a "mega-operation" against the mosquito on 13 February. "As science has not yet developed a vaccine against the Zika virus, the only effective remedy we have to prevent this disease is a vigorous fight against the mosquito," she said. To that end, 220,000 soldiers have been mobilised to accompany Brazil's 300,000 health workers on house-to-house visits to eliminate possible mosquito-breeding sites and to educate the public. Rousseff herself will accompany a team in Rio de Janeiro.

According to the ministry of health, health workers or members of the armed forces have visited 20.7m Brazilian homes, equivalent to around 30% of all the country's private residences. The ministry estimates that 80% of the breeding grounds of the Aedes Aegypti mosquito are based on private properties. As well as Zika, which has been linked to a surge in cases of microcephaly, Aedes Aegypti also transmit chikungunya and dengue fever, which killed 843 Brazilians in 2015. It takes between seven and 10 days for a hatched egg to develop to adulthood; as such, health workers recommend Brazilians check their properties at least once a week. Gutters should be cleared; bottles upturned; rubbish bins firmly closed and water tanks sealed.

It is clearly a mammoth task, and one which will at best result in a reduction in the number of mosquitoes rather than their total elimination. Brazil did succeed once before in eradicating the Aedes Aegypti, following a continent-wide campaign against the mosquito launched by the Pan-American Health Organization (PAHO) in 1947. Improved public sanitation and the widespread use of pesticides, including DDT, resulted in the removal of the species from 11 countries in the Americas. But the rapid urbanisation of Brazil and a reduced investment in public sanitation infrastructure under the military government allowed the species to return to the country in the late 1970s and early 1980s.

Alongside the eradication campaign, various trials are also taking place to reduce the mosquito population by more technically complex measures. Scientists from the Fundação Oswaldo Cruz have succeeded in infecting part of the Aedes Aegypti population with Wolbachia, a naturally occurring bacteria that prevents disease transmission. A British firm, Oxitec, is trialling the use of GM mosquitoes which produce offspring that die before reaching adulthood.

All of these measures have been greeted with a degree of scepticism by the Brazilian public. The Brazilian health ministry has been forced to deny the surge in microcephaly has been caused by a government-mandated vaccination programme for pregnant women. It has also had to reassure the public repeatedly that both the GM programme and the Wolbachia one are harmless to humans. Similarly, many Brazilians have been reluctant to let government agents into their homes, and there have been reports of thieves masquerading as health workers. As much as anything else, the "war against the mosquito" is a battle for the hearts and minds of the Brazilian public.

Olympics

The Brazilian government responded angrily to an article published in Forbes magazine last week which suggested the 2016 Olympic Games in Rio de Janeiro should be cancelled, postponed or moved due to the Zika outbreak. Various athletes, from the US, Spain and Kenya, have also expressed concern about travelling to Rio. George Hilton, the sports minister, issued a statement declaring that the possibility of a change to the location or timing of the Games was "not under discussion".

BRAZIL | ECONOMY

Government considers flexible fiscal target

With the realisation that the government will struggle, once again, to hit its target of a primary fiscal surplus of 0.5% of GDP this year, the finance ministry is mulling the idea of introducing a flexible fiscal target. The idea would be to adjust the target to the country's economic growth cycle; to create a moveable band of spending, and revenues similar to the government's current inflation target. Collapsing tax revenues in the midst of Brazil's worst recession since 1901, combined with political deadlock in the federal congress, are seriously limiting the government's capacity to balance the books. Any attempt to loosen Brazil's fiscal responsibility law, however, is also likely to run into political opposition.

On 12 February, the government is expected to announce further cuts of between R$25bn and R$30bn (US$6.3bn and US$7.6bn) in response to the latest forecast of a shortfall. Of this, around R$6.5bn (US$1.6bn) is expected to come from cuts in spending by states and municipalities. The government is also hoping, probably in vain, to win congressional approval of its plans to reintroduce the tax on all financial transactions (CPMF), which would theoretically bring in another R$10bn (US$2.5bn). But when President Dilma Rousseff mentioned the tax in a speech to the joint houses of congress last week, opposition deputies reacted with deafening boos.

State troubles

It is not just the federal government that is in trouble. A report in *Folha de São Paulo*, published on 9 February, showed that 20 of Brazil's 27 state governments had failed to comply with their legal obligations to run a surplus due to a fall in tax revenue. According to the report, Brazilian states collected just R$409.3bn (US$105.3bn) in taxes last year, 7% less than forecast earlier in 2015. The worst affected state was Rio de Janeiro, which relies heavily on tax revenues from the oil and gas sector. In São Paulo, the government expected a year-on-year increase in tax collection of 1.5%, but it closed the year taking 3% less. As a result, the state government debt increased by 20 percentage points to 168% of GDP.

In the face of these problems, federal finance ministry officials have briefed the local media that they are looking at the idea of creating a flexible fiscal target. Such an idea has been widely criticised by investors and economists who believe that the proposal will erode yet further the government's fiscal credentials. For Pauderney Avelino, the leader of the opposition Democratas (DEM) party in the federal congress, the idea is "yet another example of the new economic matrix of the PT [Partido dos Trabalhadores] which is doing away with the fundamentals of the Brazilian economy. For this reason, we are going to fight this proposal."

Social programmes

Brazil's welfare programmes have suffered a real-terms cut, despite nominal increases, due to the galloping rate of inflation, according to a report published on 8 February in *O Estado de São Paulo*. Eight out of the government's nine main welfare programmes, including the flagship conditional cash-transfer scheme, Bolsa Família, had lower funding in 2015 compared with 2014. The year to date rate of inflation in January was 10.71%.

The "new economic matrix", brainchild of Rousseff's first-term finance minister, Guido Manteiga, consisted of historically low interest rates, a weakened exchange rate partially engineered through currency controls and temporary tax breaks for favoured industries. Critics argue that the government is now returning to these discredited policies with Nelson Barbosa at the helm of the finance ministry.

In order to try to win congressional approval for such a controversial plan, finance ministry officials have mulled linking the approval of fiscal reforms to debt relief in financially strapped states. The government could extend for 10 years the maturity of the debt that states hold with the federal government.

TRACKING TRENDS

URUGUAY | **Venezuelan non-payment.** Uruguayan farmers and dairy producers are refusing to give up in their fight for compensation for sales to Venezuela. In January they took to the streets in protest. The sector has now formally requested a meeting with President Tabaré Vázquez to discuss the matter, according to Rodolfo Braga, president of the national association of milk producers (ANPL).

As per a proposal by former president José Mujica (2010-2015), the ANPL wants the government to compensate the farmers now using its own funds, and then negotiate directly for itself with the Venezuelan government for the outstanding debt. In September 2015 Vázquez and his Venezuelan counterpart, Nicolás Maduro, signed an agri-supply deal worth an estimated US$300m for the provision of 235,000 tonnes of foodstuffs. According to Ricardo de Izaguirre, president of the the Instituto Nacional de la Leche (Inale), the outstanding debt with dairy producers alone is in excess of US$80m, with a total outstanding of US$100m.

On television this week, Mujica, now a senator for the ruling leftist coalition Frente Amplio (FA), called on the government to "take care" of the debt, stating that while the state should not assume responsibility for private sector debts, "there are always exceptions".

The Vázquez government has been very lukewarm towards this idea. Officials from the economy & finance ministry (MEF), controlled by the moderate FA leader Danilo Astori, were having none of it. "The producers knew the risks when they agreed to sell to Venezuela. The state cannot assume responsibility," said Martín Vallcorba, an economist at the MEF.

BRAZIL | **Mulling assistance.** Brazil's foreign minister Mauro Vieira recently met his Venezuelan counterpart Delcy Rodríguez to discuss a Caracas government request for new supplies to help cope with the 'economic emergency'. Bilateral trade between the two, heavily dominated by Brazilian exports, fell to US$3.7bn in 2015, from a US$5bn peak a few years ago, a drop Vieira said was "significant". He said that Brazil was "willing to evaluate ways to revive trade", without elaborating.

MEXICO | POLITICS & ECONOMY

Peña Nieto reshuffles cabinet to address oil crisis

President Enrique Peña Nieto has made unexpected changes to his cabinet this week, replacing the heads of the health ministry (SSA), the social security institute (IMSS), and the state-owned oil firm, Pemex. Given that they come just six months after a major cabinet reshuffle in August 2015 [WR-15-35], the changes have sparked speculation that they are designed to tackle the deepening crisis currently affecting Mexico's oil sector, which is struggling to cope with low international crude prices. The change at the helm of Pemex in particular is seen as an attempt by Peña Nieto to shake things up at the firm not only to help tackle its current financial difficulties deriving from the oil price shock but also to make it safer and more efficient to compete with private firms as envisioned by the government's flagship energy-sector reform.

The changes were announced by President Peña Nieto during an 8 February televised address from the Los Pinos presidential residence. Peña Nieto said that he had decided to relieve the health minister, Dr. Mercedes Juan López, of her duties and replace her with Dr. José Narro Robles, a surgeon and former dean of Latin America's largest university, the Universidad Nacional Autónoma de México (Unam). Peña Nieto went on to announce that Mikel Arriola, until now the head of the federal commission for protection against sanitary risks (Cofepris), has been appointed as the new head of IMSS, replacing José Antonio González Anaya, who is to take over as the new Pemex general director from Emilio Lozoya Austin.

Since taking office in December 2012, Peña Nieto has been reluctant to make changes to his cabinet, even when officials have come under pressure from civil society or the political opposition for their perceived failings. The August 2015 reshuffle, which saw changes at seven ministries, had been the only one conducted by Peña Nieto until now. So, the latest reshuffle attracted a great deal of attention.

Although Dr. Juan López is a well-regarded Unam-trained surgeon, she is also a politically active affiliate of the ruling Partido Revolucionario Institucional (PRI). She previously served in the SSA in the Miguel de la Madrid (1982-1988) and Carlos Salinas de Gortari (1988-1994) administrations and as a federal deputy between 1997 and 2000. This made López a potentially easy target for the opposition amid growing concerns that the SSA has so far not done enough to contain the spread of the Zika virus in Mexico, where the authorities have been slow to react, and only belatedly launched an information and mosquito-breeding ground eradication campaign, compared to other Latin American countries. In contrast, while Dr. Narro is also linked to the PRI having served in the SSA and as head of IMSS under previous PRI administrations, he also served as the head of the Mexico City health ministry under the leftist opposition Partido de la Revolución Democrática (PRD).

Crisis-motivated changes?

While the change at the SSA appears to be a pre-emptive move to try to prevent potential political attacks against the government, the other changes look more like a delayed reaction to the worsening oil-sector crisis and the impact this is having on Pemex. In particular they look like a concerted effort to shore up financial management at Pemex amid growing concerns that the financial difficulties that the firm has been experiencing in recent months

Giving Pemex a helping hand

On 27 January Finance Minister Videgaray confirmed that the current adverse scenario in the oil sector had resulted in Pemex having certain difficulties paying its contractors. As a result, Videgaray said that the government had decided to step in and help the firm by paying its contractors with funds from the Nacional Financiera (Nafin) state-owned development bank. But Videgaray stressed that this was only a short-term measure designed to ease some of the current financial pressures on Pemex.

could lead to the crisis spreading to the wider domestic economy. Pemex not only remains one of the driving forces in Mexico's economy but it is also one of the federal government's main sources of revenue.

Tellingly, Peña Nieto said that he had given Dr. Narro the general objective of tackling the "main causes of death affecting Mexicans, so as to improve quality of life". In contrast, his instructions for Arriola and González were far more specific. Peña Nieto said that he had instructed Arriola to continue to "financially strengthen" the IMSS as González had done; and to ensure that the institute adopts all the measures to "detect and address the diseases that have emerged in recent years". As head of Cofepris since 2009, Arriola has not only earned a reputation for being a good public servant but has also been at the forefront of the efforts to contain the Zika outbreak in Mexico.

Meanwhile, Peña Nieto tasked González with "accelerating the transformation of [Pemex] so that it can take full advantage of the energy sector reform". Peña Nieto added that González's priorities are to promote "efficiency and profitability in all of Pemex's process, focusing on [promoting] international competitiveness". Making Pemex more efficient was one of the objectives that Peña Nieto had given to Lozoya when he appointed him in 2012. And while Lozoya, a Harvard-trained economist, was seen as having done a decent enough job of introducing changes at Pemex to help it become more competitive (namely successfully cutting down its payroll and guiding the company through the end of its hydrocarbon producing monopoly under the energy reform), the fall in international oil prices and the generally adverse international economic scenario have exposed Pemex's financial weaknesses.

The price of Mexican crude fell by around 76% to US$22.55 per barrel (/b) by late January, which is almost below Pemex's production costs. In addition, the strong appreciation of the US dollar against the peso in recent weeks means that Pemex's dollar-denominated debts are now substantially higher in peso terms. In fact, the current financial pressures on Pemex are such that the firm has had some difficulties in paying its contractors in January, with the federal government having to step in to prevent Pemex from falling behind in its payments (*see sidebar*). Meanwhile, on 27 January Finance Minister Luis Videgaray revealed that the government was even considering giving Pemex a capital injection this year to help ease its financial pressures.

Enter new broom

However, Videgaray was clear that a recapitalisation of Pemex would depend on "the evolution of the [international] oil market and the firm's plans", noting that Pemex has been asked to conduct a full review of its costs. This point is what appears to have prompted González's appointment. Massachusetts Institute of Technology (MIT) and Harvard-trained economist González's management of the IMSS has been widely praised for its promotion of financial probity. Clearly, the Peña Nieto government hopes that González can now replicate this at Pemex.

Indeed, local commentators have noted that González's reputation as a good administrator suggests that the government expects that he will now "wield bigger scissors and make deeper cuts at Pemex". Meanwhile, others have noted that González is considered to be close to Videgaray; and have suggested that the finance minister may have been pushing for González to replace Lozoya since August. At any rate, the new government officials and especially González will be under intense scrutiny.

The political opposition has certainly insinuated as much, with Marko Cortés, the leader of the right-wing opposition Partido Acción Nacional (PAN) in the federal chamber of deputies, stating that, while welcome, the changes "are not enough by themselves" to resolve the crisis faced by Mexico.

Pemex safety concerns

The Peña Nieto government may also be hoping that the new Pemex director general, José Antonio González Anaya, will succeed in making Pemex safer – something that his predecessor, Emilio Lozoya Austin, demonstrably failed to do. This was painfully highlighted over the 6-7 February weekend, when Pemex reported that three workers died following an explosion at its Akbatún A offshore rig. This was the third deadly explosion at Pemex facilities in the last 12 months, and some believe that this may have expedited Lozoya's departure.

OECD highlights China investment opportunity

On 2 February the Organisation for Economic Cooperation and Development (OECD) Latin America and the Caribbean department published a report showing that Mexico is one of the Latin American countries with the least amount of foreign direct investment (FDI) from China. The report shows that financial flows from China to Latin America have increased "unprecedentedly" to US$100bn over the last decade, and have been mainly directed to Argentina, Brazil, Venezuela, and Ecuador. But not Mexico, where "only 2 out of 100 yuan invested in Latin America" are destined. The report notes that Mexico could take more advantage of the financial opportunities offered by China.

Rising fiscal deficit

Mexico's finance ministry (SHCP) released a report on 28 January showing that the country's total public deficit reached M$637.62bn (US$35.131bn) or 3.5% of GDP in 2015. According to the report, the result came despite the fact that federal tax revenues last year were equivalent to M$4.26trn, a 4.2% increase compared to 2014 in real terms. However, this was offset by an unplanned increase in government spending to M$4.89trn, 5.2% more than what was budgeted. This as current account spending as well as programmed and non-programmed spending increased last year despite the fact that the government had intended to cut spending by M$124.3bn in 2015 as part of its efforts to reduce the fiscal deficit. Federal government accounts were also negatively impacted by the oil price shock.

The SHCP report shows that oil sector revenues fell by 32.9% year-on-year last year to M$841.51bn (US$46.365bn). The report said that this result was explained by the large decrease in the price of oil and natural gas (49.3% and 34.7%, respectively), as well as a 6.9% fall in domestic oil production. Although the SHCP notes that the depreciation of the peso against the US dollar (which closed 2015 trading at M$17.21/US$1 but has since fallen to a record low of M$19.15/US$1 in February) partially compensated for the lower price paid for crude in international markets, the end effect was nonetheless negative. The SHCP notes that despite all of this, "Mexico's economy maintained favourable dynamism in the final quarter of 2015 even as the complex and volatile external [economic] scenario persisted and has extended into 2016". It adds that this is driven by external factors as the "global volatility is principally explained by the uncertainty over weakening global growth, particularly in China, US monetary policy and the fall in oil prices".

Yet it is clear that all of this is having very real consequences in Mexico. The first local economists' poll conducted by Mexico's central bank (Banxico) this year found that consensus growth forecast for the year has fallen from 2.74% to 2.69% on the back of the international economic uncertainty and the low oil price. According to economists, the revision will result in the loss of 17,000 jobs.

Meanwhile a study by the Centro de Investigación Económica y Presupuestaria (Ciep), released on 8 February, found that the fall in oil revenues would result in a 36.08% fall in the real value of the national hydrocarbon fund this year, which would translate to oil producing states receiving M$2.5bn in revenue. According to the Ciep this will significantly impact the local economies of oil producing states with the likes of Tabasco state government already cancelling eight oil-related investment projects valued at M$1.3bn. While in Campeche some 430 suppliers of the state-owned oil firm, Pemex, are said to be on the verge of collapse. On figures from the national statistics institute (Inegi), Tabasco registered no economic growth in 2015, while Campeche's was -0.3%. Indeed Ciep estimates that in the last two years some 13,000 jobs have been lost in Campeche as a result of Pemex investment cuts.

TRACKING TRENDS

MEXICO | **Firms queue up for third phase of 'Round 1' concessions.** On 29 January Mexico's national hydrocarbons commission (CNH) revealed that at least four multinational oil companies, including the US firms Chevron and Hess, Dutch company Shell, and France's Total, are now seeking to qualify in the third phase of Mexico's 'Round 1' of oil concessions opened to private operators. Ten oil offshore deep water concessions in the Gulf of Mexico are being offered in this phase. It is expected that their award could generate at least US$44bn for the Mexican state. Bidding was launched on 17 December 2015.

MEXICO | **Remittances increase in 2015.** Mexico's central bank (Banxico) published a report last week showing that the country received US$24.771bn in remittances from Mexican citizens living abroad in 2015. This represents a 4.75% increase on the US$23.647bn registered in 2014. Remittances represent one of Mexico's main source of foreign exchange, generating more income than Mexico's total oil exports. The report shows that the average remittance was US$292, which is slightly less than the US$294 registered in 2014. However, 80.53m operations were completed in 2015, most of them through electronic payments, representing a 5.19% increase compared to 2014.

HAITI | POLITICS

Another caretaker government takes office

Three decades on since the fall of the Duvalier family's 29-year dictatorship on 7 February 1986, the fragility of Haiti's democracy is more evident than ever. Michel Martelly handed back his presidential sash on 7 February, the constitutionally mandated deadline for him to step down, but nobody has been elected to replace him. Martelly stepped down after striking a last-minute deal with the heads of the legislature to set up a transitional government – Haiti's second in 12 years (the last one, led by former prime minister Gérard Latortue and former president Boniface Alexandre (2004-2006), took over after the February 2004 coup d'état ejecting Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004)). With no constitutional provision in place regarding a transition of power once a president's term expires, major questions persist – not least who will head up the interim government and what to do about the previous elections.

President Martelly signed the deal establishing the interim government on 6 February along with the president of the chamber of deputies, Cholzer Chancy (Ayiti An Aksyon, AAA – a Martelly-allied party), and the senate president, Jocelerme Privert, of the opposition Plateforme Vérité (the party of former president René Préval [1996-2001; 2006-2011]). Under its terms, Prime Minister Evans Paul will run the country until the new legislature (which began its work this month) picks a provisional president who will have a 120-day mandate and oversee the selection of a "consensus" prime minister.

The interim government will be tasked with organising the delayed presidential second round between Jovenel Moïse of Martelly's Parti Haïtien Têt Kalé (PHTK) and Jude Célestin of the opposition Ligue Alternative Pour le Progrés et l'Emancipation Haïtienne (Lapeh) [WR-16-04] following its cancellation on 24 January. As per the deal's timeframe, the elections will take place on 24 April, the definitive results will be announced by 6 May, and the new president will be installed on 14 May.

The 'G-8' group of opposition presidential candidates headed up by Célestin, who boycotted the run-off because of the widespread fraud allegations marring the first round on 25 October 2015, rejected the deal. Calling instead for the supreme court of justice (cour de cassation) to resolve the crisis, the 'G-8' objects to the legislature's involvement in setting up the caretaker government. This is because the new legislators (currently 92 deputies out of the 118-member lower chamber, and 14 new senators of the 20 that had to be elected last year for the 30-member senate) were chosen in the same flawed elections last October. Elections for the remaining legislative seats are also due to be re-staged as a result of irregularities.

Another bone of contention

As well as the question of who will head up the caretaker government, the 'G-8' and other opposition groups challenge whether Moïse should even take part in the presidential run-off given that the report by the official commission (CEEI) tasked with evaluating the first round – which on official results gave Moïse 32.76% of the vote to 25.29% for Célestin – was clear that the presidential first round was "stained with irregularities" that benefitted "some of the candidates" (although no details were supplied). A poll by Brazil's Instituto Igarapé, released in November 2015, which interviewed over 1,800 voters from 135 voting centres in Haiti's 10 departments, found that 37.5% of respondents said that they had voted for Célestin; 30.6% for Jean Charles Moïse (Pitit Dessalines); and just 6.3% said they voted for the PHTK's Moïse.

International response

Members of the international community such as the Organization of American States (OAS), which sent a special mission to Haiti from 31 January-6 February as part of efforts to find a solution to the crisis, the US, and the United Nations (UN), all hailed the deal that saw President Martelly leave office to pave the way for the selection of a provisional president.

Electoral reform

Costa Rican municipal authorities elected in 2010 held power for a period of six years in accordance with a 2009 reform to the electoral schedule. Municipal elections, previously just nine months into the presidential term, now coincide with the midpoint of the national government's four-year term. A total of 31,000 candidates stood for 6,069 municipal posts, including deputy mayors and councillors in addition to the 81 mayors. The victors will sit for a four-year term, until 2020.

Instability concerns

Two days before Martelly was due to step down, dozens of armed men dressed in military fatigues, who claimed to be former members of the Forces Armées d'Haïti (FAd'H) took to the streets of Port-au-Prince stoking a sense of instability and crisis which intensified after a crowd of protesters stoned one of them, subsequently identified as Raphaël Néro Ciceron, to death. The defence ministry has since issued a statement denying that Ciceron was a former military official, saying it had no record of him on its books. In October 2015, the council of ministers adopted a decree officially reviving the FAd'H which was disbanded in 1995 by Aristide [WR-15-49].

COSTA RICA | POLITICS

Solís suffers electoral setback

President Luis Guillermo Solís could take few crumbs of comfort from Costa Rica's municipal elections on 7 February. The ruling Partido Acción Ciudadana (PAC) retained the municipalities it won in the last elections in 2010 but it only took six out of 81 then. While casting his vote, Solís contended that the elections had been fought on local issues and were not a plebiscite on his government. This holds some validity but the PAC would surely have fared better if his government had met public expectations. Instead, mounting insecurity and unresolved fiscal deficit and debt problems mean he has little to show for the first half of his mandate.

Days before the elections, President Solís claimed that "the possibility that the current government could end its term in a context of a growing fiscal deficit is at hand [and] the next government could start off with a deficit close to 8.5% of GDP". Solís warned that there would be "chaos" if a fiscal reform was not approved this year, while insisting that he was not conjuring up "apocalyptic visions" to frighten the public.

The rating agency Moody's rewarded his candour by lowering Costa Rica's credit outlook from stable to negative on 8 February. The main driver for the change was government debt, which will reach 47% of GDP this year (up from 25% in 2008) due to annual fiscal deficits set to exceed 6% of GDP this year. Moody's might also have been influenced by the lack of public support for Solís's PAC in the elections the previous day to match his lack of political support: seven out of nine parties in the atomised 57-seat legislative assembly, a resounding majority, oppose any discussion of tax reforms unless the government makes further cuts in public spending.

Despite its meagre pickings, the PAC's victories were at least nationwide, in five of the seven provinces. But it did not contest every municipality (only two of the six in Limón province, for instance, where it finished empty-handed). The traditional Partido Liberación Nacional (PLN), meanwhile, won nearly 60% of the 81 municipalities, which was a decent recovery from its washout in the presidential elections in 2014, albeit the party lost considerable ground on 2010.

The head of the PLN, former president José María Figueres Olsen (1994-1998), said he was "totally happy" with the results of the elections in which the PLN took 47 municipalities. However, the PLN only secured re-election in 39 of the 59 municipalities it held in 2010 and in the majority of these it saw significant reductions in its share of the vote. In 29 municipalities it won with less than half of the percentage of votes it mustered in 2010. Figueres argued that the PLN had won "the best municipalities" and that comparisons with 2010 were invidious because "the political context" was different now, with the PLN coming off the back of "its biggest defeat ever [the 2014 presidential elections]". But the PLN won just three of Costa Rica's seven provincial capitals, down from five in 2010, and not only did it fail to win the "best municipality", San José, but it also had to endure seeing Johnny Araya take the capital.

Johnny Araya

Johnny Araya's Partido Alianza por San José is a municipal-level political party which includes members of the Partido Renovación Costarricense (PRC), the Partido Restauración Nacional (PRN) and dissidents from the ruling Partido Acción Ciudadana (PAC) and the Partido Unidad Social Cristiana (PUSC). Araya's platform emphasised improving citizen security by beefing up the municipal police force and expanding networks of security cameras throughout the capital. Araya also promised to push a proposal for a cross-city tramway system, a campaign pledge from his 2010 election.

Figueres tried to downplay the defeat in San José, saying "in politics, you win some, you lose some", but it must have been a bitter pill to swallow to see Araya, who the PLN expelled from the party in 2014 after he pulled out of the presidential run-off against Solís, win so convincingly for the small Partido Alianza por San José. Prior to the 2014 presidential debacle, Araya had served as mayor of San José for 21 years for the PLN. In an emotional victory speech, Araya said that "people tried to destroy me, discredit me and lynch me politically. There were those who tried to bury me before time." After winning the last mayoral election in 2010, Araya resigned in 2013 ahead of his ill-fated tilt at the presidency on the PLN ticket, leaving the mayoralty to his deputy mayor Sandra García Pérez. The PLN candidate Araya defeated in San José by 40% to 16% was Guido Granados, García Pérez's husband.

Regional parties

Costa Rica's other traditional party, the Partido Unidad Social Cristiana (PUSC) was the main beneficiary from the PLN's losses elsewhere in the country, picking up five municipalities on its 2010 haul to finish with 14. Nueva Generación, which was only created in July 2012, won four municipalities, its first ever elected posts, while seven smaller parties won one municipality apiece. Regional parties massively increased their share of the vote, however, despite notching just a handful of victories. While the PLN received 315,000 votes in total (31%, down from 44% in 2010), regional parties won 295,000 votes (29%), followed by the PUSC with 182,500 (18%) and the PAC with 114,500 (11%).

HONDURAS | POLITICS & JUSTICE

Supreme court appointments excite controversy

The Honduran national congress on 10 February managed in a fifth session to elect three of seven remaining new supreme court magistrates. The final four were expected to be chosen in a sixth session as we went to press. The renewal of the 15-strong supreme court bench, which takes places every seven years, has been particularly fraught this year as the country's new opposition parties have refused to go along with efforts by the two traditional parties, the ruling Partido Nacional (PN) and the Partido Liberal (PL), to divvy up the posts between them, as has been the custom.

The final slate of 15 candidates comprised eight affiliated to the PN and seven affiliated to the PL. The first round of voting, held in late January, elected eight justices: five affiliated to the PL, two affiliated to the PN, and one independent. The ousted former president and head of the opposition Libertad y Refundación (Libre) party, Manuel Zelaya (2006-2009), this week decried that eight deputies had been offered bribes by the PN to vote for its candidates in the final seven justices. Zelaya's complaints followed allegations by a local journalist that the PN has funnelled cheques for thousands of US dollars to Libre and other opposition deputies via a PN-linked trade association, in return for their support in congress. Meanwhile, the selection process for the magisterial candidates – as well as the final slate – was heavily criticised by external observers and the US embassy in Tegucigalpa.

The whole affair makes it fairly clear that the new Mission for Support against Corruption and Impunity in Honduras (Maccih), signed by President Juan Orlando Hernández and the Secretary General of the Organization of American States (OAS), Luis Almagro, on 19 January, has its work cut out. Maccih provides for an international team of investigators and prosecutors to collaborate with Honduran counterparts to pursue corruption cases and implement systemic judicial reform.

Quotes of the week

"I will not allow anyone to disobey me."
Ecuador's President Rafael Correa.

"Former president [Francisco] Flores embodied humility and simplicity in politics; I learnt this from him and it is a mistake to accuse him of corruption because all humans make mistakes and nobody is perfect."
Guatemala's former president Alfonso Portillo (2000-2004), who pleaded guilty in 2014 to laundering US$70m while in power, on the passing of El Salvador's Flores, accused of embezzling at least US$15m.

"Our role as opposition is to remove the stigma of Peronism as an obstacle to others governing...and wanting things to go badly for the government."
Argentina's governor of Salta, Juan Manuel Urtubey, a Peronist ally of the federal government led by President Mauricio Macri.

POSTSCRIPT

Ecuador's Correa locks horns with military

Retired military officers in Ecuador led a protest march against the government led by President Rafael Correa on 10 February, five days after he announced the dismissal of the military high command. Pro-military demonstrators gathered on Quito's Los Shyris avenue, an established venue for opposition protests, while pro-government supporters gathered outside the presidential palace. Correa fired the military high command after it issued a declaration refusing to return US$41m from the armed forces social security institute (Issfa) from an overvalued land deal. "Nobody is above the law," he declared emphatically "not even the country's soldiers".

President Correa has relied more heavily on the armed forces since a police mutiny on 30 September 2010 (which his government defines as a coup attempt). He has presided over the progressive militarisation of public security, even recently reforming the constitution to reflect the changed role of the armed forces. But Correa reacted furiously to a declaration from the joint command of the armed forces arguing that complying with a request by the attorney general's office last November for Issfa to return US$41m would jeopardise resources for military pensions in contravention of article 372 of the constitution. "The resources of military social security belong to soldiers in active and retired service and their families, who it is a state obligation to protect and preserve," the declaration read, adding that the land sale was "legal".

"Look at the countries where the military come out and deliver declarations on administrative matters," Correa responded. He said that military pensions were guaranteed in the constitution and that the Issfa was "more solvent than ever". He added: "Let the Ecuadorean people know that the government pays Issfa some US$500m a year, and Issfa is going to go 'bankrupt' over US$41m?" And then for the benefit of retired and active members of the military: "Believe in your commander-in-chief: we will never fail you". Correa went on to accuse some retired military officers with close links to opposition political parties of agitating ahead of general elections in February 2017.

The financial dispute dates back to the 2010 sale of 220 hectares of land by the armed forces to the environment ministry to create a recreational park, Samanes, in the port city of Guayaquil. The land was sold for US$48m but municipal authorities valued it at just US$7.3m.

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