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A bad week for Cunha and Rousseff in Brazil

Eduardo Cunha, the speaker of Brazil's federal lower chamber of congress, is to become the first defendant in a supreme court trial of those accused in 'Operation Car Wash', the investigation into corruption at the state-controlled oil company Petrobras. On the evening of 2 March, six of the court's 11 magistrates voted in favour of investigating Cunha for corruption and money-laundering. Two more cases against Cunha will also be voted on in the coming days: whether to strip him of the speakership and whether to investigate his Swiss bank accounts. Added to this, Cunha also faces an investigation in the congressional ethics committee, which could see him lose his parliamentary mandate. Despite the pile-up of cases against him, Cunha shows no signs of going anywhere, a stance that is likely to paralyse Brazil's dysfunctional congress yet further.

A majority of the judges have decided that there is sufficient evidence to try Cunha over charges that he demanded bribes of up to US\$5m from the lobbyist Julio Camargo to maintain the contractual relationship between Petrobras and the Japanese industrial giant Mitsui. Judge Teori Zavascki said there were indications that the federal deputy Solange Almeida helped Cunha in this scheme by launching two congressional inquiries, the purpose of which was not to investigate, but to accelerate the process of collecting bribes.

But the court did not accept all the case put forward by the attorney general, Rodrigo Janot. Zavascki said there was not enough evidence to connect Cunha and Almeida to the suspect purchase by Petrobras of drilling ships in 2006 and 2007, adding that the testimony given by whistleblowers points only to Cunha and Almeida's participation in the corruption scheme from 2011 onwards. At present, a substantial part of the evidence against Cunha rests on the testimony of Camargo and Fernando Baiano, another lobbyist. Both men are seeking reduced punishments for their role in the corruption scheme by cooperating with the authorities.

Ethics committee

A day earlier, Cunha experienced another setback. Eleven of the 21 deputies in congress' ethics committee voted to investigate the speaker over allegations that he misled congress, a charge that could lead to him losing his seat. Cunha, from the nominally government-allied Partido do Movimento Democrático Brasileiro (PMDB), told a congressional inquiry that he had no foreign bank accounts. It subsequently emerged several had been opened in his name in Switzerland. Cunha's defence is that they are trusts of which he happens to be the beneficiary. The millions of dollars they contain apparently comes from successful speculation accumulated following initial capital from a business exporting tinned meat to Africa in the 1980s.

Lula offers to run again

At a party to celebrate 36 years of the PT on 1 March, Lula offered to run again as the presidential candidate for the party in 2018 “if necessary”. Recent opinion polls suggest the former president may have an uphill struggle to win a third term. The CNT/MDA poll, published last week, showed that 70% of Brazilians believe he personally benefitted from corruption. Pitting him against the other likely candidates for the 2018 election, the poll showed that Lula would lose comfortably to Aécio Neves, who ran and lost for the Partido da Social Democracia Brasileira (PSDB), though he would beat other likely candidates, such as Geraldo Alckmin, the PSDB governor of São Paulo, in a first round vote. Notably, however, in the head-to-head scenario of a second round, Lula lost to all putative candidates.

Cunha now has 10 days to present his defence to the committee. So far, however, he has skilfully exploited the rules of the house to ensure any decision is kicked into the long grass. In December, the ethics committee voted in the same way, but an ally of Cunha succeeded in nullifying the vote. On 1 March, Cunha attempted once again to stall the vote, by delaying the congressional session until after another had finished. But when that discussion had come to an end, he had no procedural ruses to delay a vote further.

The two developments against the speaker have prompted many politicians, of all stripes, to demand that at the very least Cunha stand down while he is investigated. Not the least of the reasons is that Cunha is effectively second-in-line to the presidency. Should President Dilma Rousseff and Vice-President Michel Temer be stripped of their mandate, Cunha could ascend to the presidency. Antonio Imbassahy, the leader of the opposition Partido da Social Democracia Brasileira (PSDB), said, “For the PSDB and the majority of Brazilians enough is enough. There is no alternative but for the speaker to stand down.” Chico Alencar, from the left-wing Partido Socialismo e Libertade (PSOL), described Cunha’s continuance in office as “bringing shame to the Brazilian republic”. Others attempted to appeal to Cunha’s own self-interest, arguing that by staying in his position he risked prejudicing his trial.

Cunha himself, however, shows no signs of going anywhere. He faced most of the criticism from the floor of congress in silence, and defended himself to the media at the end of the day. He pointed out that he had been a defendant before, in 2013, and he had been cleared of all charges. “I am absolutely relaxed because I have the truth and I am innocent,” he said. He added that the ethics committee procedures had been riddled with errors and that he would be dedicating “many resources” to fighting the decision.

Rousseff’s bad week

While Rousseff will no doubt be enjoying the discomfort of the man who launched impeachment proceedings against her, she has also had a difficult week. On 29 February, the justice minister, José Eduardo Cardozo, finally resigned, sick of the constant pressure from the ruling Partido dos Trabalhadores (PT) to rein in ‘Operation Car Wash’. In particular, party members and activists have become increasingly irritated by the investigation’s interest in former president Lula da Silva (2003-2011), who is still the party’s frontrunner as a presidential candidate in 2018. Cardozo will now move to the attorney-general’s office, while Wellington César Lima e Silva, a state prosecutor from Bahia, will take over at the justice ministry.

Just before Cardozo’s departure was confirmed, the national association of federal police delegates expressed its “extreme concern” over his exit from the post. However, even most opposition politicians believe that ‘Operation Car Wash’ now has such a momentum of its own that a change in the justice ministry is unlikely to slow it down.

Instead, the short-term impact is likely to be the loss of a trusted adviser for Rousseff. Cardozo has been in the post, historically one of the most important in the Brazilian cabinet, since the start of her first mandate. His record in office is without blemish, and Cardozo is a significant political figure in his own right, with numerous electoral victories prior to becoming a minister. Silva, on the other hand, appears to have got the job through his proximity to Jaques Wagner, the cabinet chief. It seems unlikely that such a relatively junior appointee will be heeded by Rousseff, who is renowned for her authoritarian style of decision-making. The fact Rousseff felt compelled to accede to the PT’s wishes to remove Cardozo demonstrates that she is not only a prisoner to opposition forces, but increasingly hostage to her own party.

Family drama puts Morales on the defensive

Fresh from the setback in the 21 February referendum that dashed his hopes of competing in the 2019 presidential elections, President Evo Morales is facing increased political pressure related to corruption allegations against his ex-partner Gabriela Zapata Montañó. On 28 February Judge Margot Pérez ordered the preventive detention of Zapata on the request of the attorney general's office, calling her a flight risk. Zapata had been arrested two days earlier in La Paz on charges of illegal earnings, illicit enrichment, and influence peddling.

Until her arrest, Zapata worked as the commercial manager for the Chinese company CAMC Engineering (Camce), which signed contracts worth a total of US\$566m with the Bolivian government. On 24 February, however, the minister of public works, Milton Claros, announced that Camce had been sanctioned for three years and would not receive further contracts during this time. Claros also announced that the government had recovered cheques for US\$22.8m to Camce after it abandoned the construction of its Bulo Bulo-Montero railway project in 2015. The public works ministry had signed a contract worth US\$103m for the project in 2013. The comptroller general's office and a congressional commission are investigating the Camce contracts.

On 3 February, Bolivian journalist Carlos Valverde denounced the relationship between Zapata and Morales (which, according to the national daily *El Diario*, took place from 2005 until 2007), alleging that they were both involved in influence peddling on Camce's behalf. On 4 February, the minister for the presidency, Juan Ramón Quintana, denounced the Valverde allegations as an opposition smear tactic ahead of the referendum. In an interview with *TeleSur*, he called the accusations a "destabilisation campaign" financed by the US Department of State.

The Morales administration blamed Unidad Demócrata (UD) leader Samuel Doria Medina and former president Jorge Quiroga (2001-2002) for orchestrating the scandal in order to discredit Morales. Vice President Álvaro García Linera alleged the existence of a romantic relationship between Zapata's brother, Gabriel Zapata, and a UD representative and said that Zapata's sister Paola Zapata was a former representative of the Plan Progreso para Bolivia (PPB) under Quiroga.

Gabriela Zapata was arrested on 26 February after what García Linera described as "a rapid administrative investigation" which, he maintained, had revealed state resources in her personal bank account. García Linera accused Zapata of using public property for private benefit. According to reports in the Bolivian media, Zapata allegedly wrote letters to different state institutions in the name of the government to win public contracts for Camce. Prosecutors raided Zapata's luxury house in La Paz on 2 March in an attempt to confiscate documents.

The government is accusing Zapata and friends working for the state of using the offices of the Unidad de Gestión Social (UGS), the social administration division of the ministry of the presidency, to carry out business with foreign investors and companies. The friends include Cristina Choque, the head of the UGS (*see sidebar*), and Jimmy Morales, a chauffeur for the ministry of the presidency who allegedly used an official car to drive Zapata around.

Morales' love child

After Zapata's arrest a new dimension to the case emerged when her aunt, Pilar Guzmán, announced that a baby boy conceived by Zapata and Evo

**Arrest of
Cristina Choque**

On 29 February, the police arrested Cristina Choque, the head of the social administration division of the ministry of the presidency ministry. Choque, an alleged friend of Gabriela Zapata, is accused of facilitating the transfer of resources to Zapata and for moving state funds to her bank account. Choque was placed under preventive detention on 2 March while being investigated for alleged corruption.

Opposition reaction

Former president Jorge Quiroga accused President Morales of causing an “earthquake” among the Bolivian public by representing his ex-partner, Gabriela Zapata, as the “head of a band of criminals”. Samuel Doria Medina called the scandal alarming and demanded the full truth from Morales, as well as an investigation into the responsibility of the minister of the presidency, Juan Ramón Quintana, given that the social administration division is part of his ministry.

Morales is currently in her custody. In a press conference on 29 February Morales claimed that Zapata had told him in 2007 that his infant son had died and asked Zapata’s family to bring the child to him.

Morales said the baby boy must be presented to the authorities next week if he is really alive. “I am totally convinced that this boy has unfortunately died,” Morales said in a news conference. “I ask myself why they hid him from me since 2007?” The transparency minister, Lenny Valdivia, claimed that Morales had initially given Zapata money to help bring up the baby boy. “It was only when he demanded to see the child, many years ago, that she said the baby had died,” Valdivia said.

Referendum defeat

In the midst of increased public scrutiny and suspicion regarding his alleged influence peddling, Morales has not been afraid to speak to the public regarding the results of the recent referendum. In a speech to supporters at the 15th Congreso de la Federación Especial de Zonas Tradicionales Yungas Chapare on 26 February, Morales declared that his supporters have convinced him to “continue fighting” for his Movimiento al Socialismo (MAS) political project when his presidential term expires in 2020. Morales had previously expressed his desire to manage a restaurant in Cochabamba after his term ends.

Morales insisted that the MAS had lost the referendum to reform the constitution, but had not lost elections. He declared his willingness to submit himself to a recall referendum on his mandate. This statement came in direct response to suggestions by opposition politicians, including the anti-government activist Roberto de la Cruz, that if Morales lost the referendum, he should submit himself to a recall referendum.

On 27 February Morales visited the department of Potosí for the opening of a highway connecting Potosí and Oruro. Morales decried the referendum results in Potosí where the ‘yes’ vote lost by 46.74%-53.26% according to the supreme electoral tribunal (TSE). Bolivia’s poorest department, Potosí is mainly inhabited by indigenous and working class Bolivians. It has been increasingly influenced by the Comité Cívico Potosinista (Comcipo), a civil-society group which led a 27-day strike in July 2015 to demand more government attention to social development in the region.

Morales expressed disappointment and disbelief that Potosí’s residents voted with “the Right, with the neoliberals”. For his part, García Linera upbraided Aymara indigenous leaders at an event in La Paz and told them to “reflect” on what would happen to them if Morales were no longer president.

Bolivia drugs report

Bolivia and Venezuela were once again listed as having “failed demonstrably to adhere to their obligations under international counter-narcotics agreements” in the 2016 International Narcotics Control Strategy Report (INCSR) from the US State Department released on 2 March. In the case of Bolivia, the report cited “insufficient Bolivian law enforcement efforts to disrupt and dismantle drug trafficking organizations and inadequate Bolivian controls to prevent the diversion of ‘legal’ coca cultivation to illicit cocaine production during the previous year”.

On the same day as the report was released, the Bolivian government claimed that the special counter-narcotics police force (FELCN) had confiscated 10.8 tonnes of cocaine and 58.6 tonnes of marijuana in 2,058 separate operations carried out during the first two months of 2016. The FELCN also apparently destroyed 12 cocaine crystallisation laboratories and 830 small drug manufacturing laboratories.

ICG points to Inter-American

Democratic Charter

The Brussels-based NGO International Crisis Group (ICG), in a February alert entitled *Venezuela on the Edge*, states that “the time has come for regional organisations and the wider international community to act. The Inter-American Democratic Charter authorises an OAS response in the event of an ‘unconstitutional alteration of the constitutional regime that seriously impairs the democratic order in a member state’.

What is in process and fast approaching the critical point in Venezuela is just such a situation. The OAS Permanent Council should debate this as a matter of urgency and entrust its secretary general with an international mission to serve as a springboard for the implementation of institutional arrangements for overcoming the crisis”, the NGO recommends.

Supreme court ringfences itself

In what might be described as a ‘*sui generis*’ interpretation, the constitutional chamber of Venezuela’s supreme court (TSJ) has decided that the legislature’s constitutionally-mandated powers of oversight are limited. In something of a creative interpretation of the relevant articles of the 1999 constitution, the TSJ said that these powers may be used solely to summon members of the executive, and do not extend to the courts or electoral authorities. Conveniently, that would prevent the opposition-controlled national assembly from questioning the dubious fast-track appointment by the previous assembly of a batch of clearly government-sympathetic supreme court magistrates, which have since acted to stifle the assembly.

The ruling pertains to the national assembly’s powers of subpoena and oversight under Articles 221-224. Interpreting these, the chamber decided that these powers “extend fundamentally to the national executive power and not to the rest of the public powers”, and that to attempt to summon any other officials – including judges or members of the military – could be seen as an attempt against the constitution itself.

As such, it also directly declared unconstitutional a move by the legislature to examine the appointment in December 2015 of 13 new magistrates to the 32-strong supreme court bench (as well as a previous round of appointees to the court in late 2014). The national assembly had been scheduled to begin a debate on 1 March on a committee report calling for the removal of the newly appointed justices. The opposition coalition Mesa de la Unidad Democrática (MUD) says it has evidence that a string of former supreme court judges were obliged to take early retirement and replaced with government sympathisers, some of whom appear less than qualified for the posts.

The constitutional chamber’s ruling appears to directly contradict Article 223 of the 1999 Chavista constitution, which empowers the national assembly to summon “all public officials subject to the penalties established by law, to appear before such committees and provide the same with any information and documents they may require in order to carry out their functions. Private citizens are also subject to this obligation, without prejudice to the rights and guarantees embodied in this constitution.” Article 224 goes on to say that “the exercise of the power of investigation does not affect the powers of other public authorities. Judges shall be obligated to take evidence as commissioned by the national assembly and its committees.”

Most lawyers interpret this to mean that the public authorities shall continue to function as normal as the legislature carries out any oversight work or investigations. However, the chamber took a different view and decided that Article 224 in fact means that “the parliamentary control envisaged in articles 187.3 and 222 to 224 extends fundamentally over the national executive power, and not over the rest of the public powers (judicial, citizen and electoral)...nor over the state power or the municipal power”.

“In general terms, this isn’t a surprise,” the national assembly’s president, Henry Ramos Allup, stated in response to the ruling. He stressed that the MUD would keep its counsel for now, saying that the lengthy ruling “requires a thought-out response”. In reality, it is not clear what the MUD can do. Now two months in control of the assembly, following its record performance in the December 2015 legislative elections, the MUD has failed to deliver a single piece of legislation to date, including even its much-promised amnesty law for imprisoned politicians.

The army – ‘a grotesque appendage’

The letter to President Maduro also complained that the Venezuelan military is “demoralised, converted into a grotesque appendage of the government party, subjected to denigrating ideas and actions, subordinate to outside interests, all in clear violation of Article 328 of the Constitution, and where discipline, obedience and subordination have ceased to be fundamental pillars of the institution”.

President Nicolás Maduro has effectively followed through on his promise late last year to bypass the legislature (“govern for the people”), using the pliant supreme court to rubberstamp acts – such as his recent emergency economic package – that ordinarily should have been subjected to congressional scrutiny and a vote of approval. Quite simply, the government’s total control of the judiciary is a wholly effective way of neutering the legislature.

The opposition is left casting about for options. Speaking from Brazil, opposition deputy Luis Florido (of the radical party Voluntad Popular, whose leader Leopoldo López is serving a 14-year prison sentence on what he says are trumped-up charges) called on the region to activate the Inter-American Democratic Charter (of the main hemispheric Organization of American States [OAS]). “We believe there are enough reasons to activate [the charter],” he said, “because the actions of the supreme court against the national assembly constitute a judicial coup that is putting Venezuela’s democracy at risk.”

1992 veterans urge Maduro to go

In fresh evidence of the growing discomfort within the broad church of the Bolivarian Revolution with the Maduro administration, a group of former military officers, including veterans of the 1992 failed coup attempt led by Maduro’s predecessor Hugo Chávez (1999-2013), have penned an open letter calling on Maduro to resign, calling him “an autocratic failure”.

Florencio Porras (a former governor of Mérida state), Luis Eduardo Chacón, Ismael Pérez Sira, Carlos Guyón Celis, Alfieri Lameda Quero, Emiro Brito Valerion, Rafael Virgilio Delgado, and Miguel Schmilinsky were among the signatories demanding that Maduro step down “if he definitively cannot meet the duties that the constitution mandates for him”. The letter complains that Maduro has “disfigured” the ideas of the Bolivarian Revolution and allowed it to become a prisoner of “administrative corruption”.

The Revolution, runs the complaint, “has become this chaos that represents everything contrary to the constitution: an autocracy that has taken the nation to unthinkable levels of anarchy, anomaly, ochlocracy, and deinstitutionalisation”.

“The common citizen has become the victim of political and moral degeneration and its devastating effects: personal and judicial insecurity, impunity, hyperinflation, unemployment, loss of acquisition ability, hunger, poverty, and an extreme loss of quality of life...and the loss of the values that used to characterise our society.”

Notably, the missive also notes discontent in the Bolivarian armed forces (*see sidebar*).

ECUADOR | POLITICS & ECONOMY

Defence minister claims to be lamb to the slaughter

Ecuador’s defence minister, Fernando Cordero, resigned on 1 March, becoming the latest casualty of a still-simmering row over military pensions. Relations between the government led by President Rafael Correa and the military have hit a new low.

The immediate row involves a recent government effort to claw back US\$34m from the armed forces’ social security institute (Instituto de Seguridad Social de las Fuerzas Armadas, Issfa) in a dispute over the value of a land sale, which prompted a stand-off between the military leadership and the executive. The wider context is to do with Cordero’s attempts to overhaul military frameworks, including the pension system, in the past 18 months.

Cordero, a senior member of the ruling Alianza País (AP) and former president of the national assembly, has been deployed by Correa before as a ‘problem solver’ (prior to the defence ministry he spent a year at the helm of

Anti-government sentiment

Also critical to this latest incident is the deepening economic crisis in the oil-dependent country, which is obliging the Correa government to leave no stone unturned in its efforts to adjust budgets. This is causing discomfort not only in the military but elsewhere. Fresh planned demonstrations by trade unions, students and other disgruntled sectors in mid-March will be of concern to the AP, which is heading into the February 2017 general elections without President Correa, who cannot run again.

the national social security institute), may have overplayed his hand this time however. In mismanaging the Issfa dispute, he did Correa and his government political and PR damage at an already difficult time.

The outgoing military top brass led by General Luis Garzón, having been removed by President Correa for insubordination over the Issfa incident, embarrassed Correa at the swearing-in ceremony for their replacements held on 26 February. Garzón dedicated his speech to complaining about poor conditions, declaring that regular soldiers were having to live on a US\$3-a-day food mess stipend. This, Garzón declared, could not continue. He complained that promised repairs and upgrades to housing for officers were not yet complete. He also insisted that the armed forces were the “vertebral column” of Ecuador. Meanwhile, retired veterans – Issfa pensioners – sat stony faced for the best part of the ceremony at the Eloy Alfaro military school in north-eastern Quito, neglecting to stand when Correa arrived and later walking out during his speech, prompting him to describe them as ‘malcriados’ (roughly, ‘rude and badly brought up’).

Correa, who had centred his speech around new reforms to the military pensions system (to correct distortions, inequities and discrimination between ranks) was left red-faced and apologetic over the minimal food stipend. Correa, who amidst the Issfa row had pledged that the government would “never fail” the armed forces, said he felt “shame”. Noting that Issfa pensions are among the highest in the region he said, “I don’t know how these inconsistencies have come about, the highest salaries in the region but barely three dollars a day for the mess, the absurdities that our government still commits, for which I ask forgiveness, above all to our troops, of course this problem must be corrected urgently”.

Rare is such a display of awkwardness and humility by Correa. Recovering towards the end, Correa took issue with Garzón’s “vertebral column” comment, however, saying that he considered this “excluding and unfair to other social sectors”. “This is precisely what is in dispute, those two visions,” Correa stressed.

Nevertheless, it was clear that Cordero would have to take the fall. Claiming that he was taking a “mature decision” to step aside, Cordero said that he was clearing the path for someone new to come in and “continue the [reform] process”. However, in a parting shot clearly aimed at the military, he made the point that he had used his 18-month stint at the ministry to overhaul some very large and distorted gaps in pay, working conditions and pension benefits between the top and bottom military ranks.

He also announced two new ministerial accords that he said were aimed at promoting equity in the armed forces. One ostensibly reforms the military recruitment process so that it is more effectively based upon meritocracy and is more transparent. Military sources later took issue with this, pointing out that recruitment and promotion is already well established, perfectly transparent and based upon strict order of merit criteria.

The second, more eye-catching reform, is an order that all soldiers, regardless of rank, have unrestricted access to the same military common areas and facilities, including bathrooms, dining rooms and recreational halls, an issue that Correa has taken great umbrage at in previous days, denouncing “discriminatory practices”.

Finally, Cordero complained that he had been the victim of a campaign of “disinformation”, the insinuation being that this too had originated in the military. Correa has yet to name a new defence minister, having now had seven (and one interim) in his nine years in office, including three women.

Bolivian remittances grow

On 23 February Bolivia's central bank (BCB) reported that the country received US\$1.18bn in remittances from Bolivian nationals living abroad in 2015. The figure is 1.28% higher than the US\$1.16bn reported by the BCB in 2014. Although small, the increase in remittances is positive as it comes amid subdued global economic growth and suggests that in spite of this Bolivian workers abroad are still able to send some money back home. According to the BCB report 41.7% of total remittances came from Spain; 16.5% from the US; 10% from Argentina; 8.7% from Brazil; and 5.8% from Chile.

ECUADOR | Growing trade with Mexico. On 24 February Ecuador's investment promotion agency, Pro Ecuador, released new figures showing that trade between Ecuador and Mexico has been steadily increasing since 2007. The figures, released during the 'Business and investment opportunities in Ecuador' seminar organised by Pro Ecuador, its Mexican counterpart ProMéxico, and the Mexico-Ecuador business committee (Comce) in Ecuador's capital, Quito, showed that bilateral trade increased by 70% in the last 10 years to reach US\$700m in 2015. Citing data from Ecuador's central bank, Pro Ecuador's report also highlighted that between 2007 and 2014, "Mexico was the country that invested the most in Ecuador". This was echoed by ProMéxico general director Francisco González Díaz, who said that bilateral investment flows "have mainly increased from Mexico to Ecuador" in recent years as result of closer economic ties. Meanwhile Ecuador's deputy minister for foreign trade policy and services, Silvana Vallejo, presented 125 investment projects that the Ecuadorean government is looking to promote in the areas of oil, mining, basic industries, petrochemical and steel, electricity, and telecommunications.

PERU | Tapping international markets again. Peru's finance & economy ministry (MEF) has successfully placed €1bn in sovereign bonds in international capital markets. This is the second time that Peru has issued bonds in international markets since October 2015, when the Bono Global 2026 issue set a new reference point for Peruvian Euro-denominated bonds for 11 years. It is also the fifth time that Peru has turned to international capital markets in the last 16 months to issue new debt or restructure old foreign-currency denominated letters as part of its efforts to improve its foreign debt profile.

An MEF statement noted that the 14-year bonds offered a 3.75% coupon and 3.77% yield after the high level of demand allowed the bonds to be placed at just 295 basis points above the European area benchmark bonds. The MEF statement says that the operation answers to the government's 'pre-funding' policy by which it seeks to partially pre-finance Peru's 2017 debt payments due in 2017 and leave the incoming government, which is due to take office on 28 July following the 10 April general elections, in a comfortable financial position. But the big question is whether this will provide enough of a financial cushion for the incoming government, which will have to deal with the current adverse international economic scenario marked by lower commodity prices and slower growth in China, one of Peru's main trading partners.

VENEZUELA | Seeking Chinese investment to help rebuild economy. On 29 February Venezuela's planning vice-president, Ricardo Menéndez, held a meeting in Beijing with the president and the vice-president of China's National Development and Reform Commission, Xu Shaoshi and Ning Jizhe, respectively, to discuss the prospect of Chinese cooperation in various economic sectors as part of the Venezuelan government's plans to stimulate increased economic activity so as to overcome the country's current domestic economic crisis. In an official statement by Venezuela's energy ministry, Menéndez said that he had discussed Chinese participation in sectors including pharmaceutical, industrial, petrochemical, hydrocarbon and mining. According to Menéndez, "China will invest in the development of these sectors in Venezuela, which are highly important to consolidate the union between our countries and China's direct participation in the things like the Arco Minero and the Orinoco belt".

The Orinoco belt is the 55,314km² area in northern Venezuela under which much of the country's oil reserves – some of the world's largest – are located and where Chinese oil firms have a presence. Meanwhile the 'Arco Minero' ('mining arch') is an 111,000km² area in central Venezuela that goes from the country's border with Guyana in the east to its border with Colombia in the west. The Venezuelan government believes that the Arco Minero may contain high quantities of gold, coltan, diamonds, bauxite, iron ore and other minerals, all of which the government is seeking to exploit as part of its bid to diversify its economic promote growth after Venezuela's GDP contracted by 5.7% in 2015 on the back of the fall in international oil prices.

Menéndez said that attracting Chinese investment was part of the "government's strategy to boost the country's economic rebuilding". Venezuela hosted a forum on 2 March entitled 'the 14 engines of productive economy' in which investment opportunities were presented to over 50 Chinese companies.

Bond issuance

According to Alejo Costa of Buenos Aires brokers Puente, the government is going to need to issue around US\$11bn worth of bonds to fund the settlement with the holdouts, plus a further US\$8bn to cover the fiscal deficit (given that it is abandoning its predecessor's policy of printing money to cover the shortfall). Floating such a large bond issue will be difficult, but many analysts believe it is possible, and that the markets will react enthusiastically to Argentina's return to the fold. Costa says success "will require the government to do a good job communicating its strategy on the fiscal and monetary side".

Holdouts deal almost done

This week the government of President Mauricio Macri moved closer to finally resolving a 15-year old quarrel with Argentina's holdout creditors. Only a few more steps remain before the deal, which should restore the country's much-needed access to international capital markets, can be closed. But the new government still faces a tricky political balancing act to keep its hopes of economic improvement on track.

In the end it seems that New York Judge Thomas Griesa's U-turn on the debt dispute was what it took to get a deal. During the previous Argentine government of President Cristina Fernández (2007-2015) Judge Griesa appeared as an implacable foe of the country, ruling that the US-based hedge funds holding defaulted Argentine bonds had to be paid in full.

Faced with Argentina's refusal to pay or to negotiate, Griesa slapped on *pari passu* (equal treatment) injunctions, which prevented Argentina from paying any of its other creditors unless it simultaneously paid the holdouts. That decision froze debt service payments moving through the US banking system, destined for creditors who were not in dispute. As a result, since mid 2014 the country has been in technical default.

Convinced of the good faith of the new Buenos Aires government, Griesa changed tack this month and announced his intention to lift the injunctions, effectively giving the hedge funds an end-February deadline to settle – or face a much longer wait and mounting legal fees. It worked. At the 11th hour (Sunday 29 February) the terms of a deal were announced by Daniel Pollack, the US court-appointed mediator.

The four remaining hedge funds in dispute (led by Paul Singer's Elliott Management) accepted US\$4.4bn in settlement. This represents 75% of their claim for debt principal and interest, as well as an additional US\$235m for claims made outside New York court jurisdiction, and for some of their legal fees.

It is not over yet, but it seems clear that the most difficult aspects of the dispute have been solved. The Macri administration had earlier settled with other holdouts (including around 50,000 Italian bondholders and two of the US based hedge-funds) for US\$3bn. The outstanding claims of another group of holdout bondholders need to be mopped up – they represent a further estimated US\$832m. Elliott Management, meanwhile, has filed new legal papers urging Griesa not to lift the *pari passu* injunctions until final payment has been made by the Argentine government.

Perhaps the last big obstacle to the deal is that the Buenos Aires government will need to repeal two laws before a 14 April deadline. These are the *Ley Cerrojo* of 2005 and the *Ley de Pago Soberano* of 2014. The *Ley Cerrojo*, or 'padlock law' was passed to prevent any government from offering better debt rescheduling terms than those already agreed in that year with about 93% of the country's creditors.

After years of expensive legal disputes the new Argentine administration has in effect now recognised that the padlock must be unlocked and the 7% of creditors who held out must after all get a better deal. The *Ley de Pago Soberano* on the other hand was an unsuccessful attempt to circumvent the

Prat-Gay

A sharp point was made by Finance Minister Alfonso Prat-Gay who commented, “We can say that Argentina is beginning to exit the default definitively. The question we must ask is: if we were able to do this in three months, why did it take 15 years?”

pari passu injunctions by setting up debt service payments routed directly from Argentina or from France to avoid US financial jurisdiction.

Winning congressional support

As Macri’s Cambiemos coalition lacks a majority in either house of Congress, there must be some doubt over the government’s ability to get the laws repealed. But government sources say prospects are reasonably good. In the federal senate, where the government controls only 15 of 72 seats, the Partido Justicialista (PJ, Peronists) majority is likely to be receptive to the influence of provincial governors who will benefit from gaining renewed access to international financial markets. In the lower chamber the Frente Para la Victoria (FPV), the Peronist faction currently loyal to Kirchnerismo, split in early February with 18 deputies breaking away to form a more moderate grouping.

The leader of the FPV in the senate, Miguel Ángel Pichetto, said “I don’t know if we [Peronists] will all vote the same way. We don’t have to perish in flames on the altar of loyalty every day”. But a harder line came from FPV deputy Andrés ‘Cuervo’ Laroque, a member of the La Campora youth wing of the FPV, who warned “Mauricio Macri has become the hero of the vulture funds – whoever helps get a quorum [for a repeal vote] is an accomplice.” Former economy minister Axel Kicillof also sought to stir up opposition by claiming that the settlement was a smokescreen for “a gigantic debt-incurring operation whose financial details and commission arrangements we know nothing of”.

One of the key issues for the government now is how hard it criticises the FPV. The dilemma is that in the government’s view it has inherited an economic and political mess and wants to clearly apportion responsibilities. On the other hand the administration needs to get decisions approved by congress and that requires an understanding with a proportion of Peronist representatives in the two federal chambers, up to, and including some FPV members.

Macri opens congress

On 1 March President Macri set the tone in his address to a joint opening session of the federal congress. In a sometimes-rowdy session (he was jeered by FPV members), Macri called for “responsibility to overcome rhetoric” and for the relevant debt laws to be repealed. The previous government’s refusal to negotiate with the ‘vulture funds’ had by Macri’s calculation cost the country US\$100bn in blocked credit that it was unable to receive, as well as 2m jobs that it failed to create.

Macri said his FPV predecessors (Nestor Kirchner [2003-2007] and Cristina Fernandez [2007-2015]) had mismanaged the economy, the judiciary, infrastructure, health and education; and that under their rule corruption had spread. Macri also blamed the previous government for the high inflation rate which he promised to reduce – this section of his speech was roundly jeered by the FPV, which is seeking to make rising inflation one of its main anti-government issues.

The more radical elements of the FPV will be seeking to cast Macri as an extreme neoliberal right-winger, presiding over a savage, inflation-led onslaught on living standards. Macri’s response is that they created the economic imbalances he must now correct.

Macri was also careful to signal in his speech that the government would seek to protect social programmes, child benefit, and pensioners. These are likely to be the main terms of a highly political economic debate that looks set to run through most of this year.

Illegal immigration

According to US border patrol statistics a total of 150,304 immigrants were arrested when trying to enter the US illegally between October 2015 and February 2016, a 24% increase on the same year-earlier period.

TRACKING TRENDS

CHILE | Spending cut. On 29 February Chile's finance ministry announced that the government would be cutting spending by Cl\$380bn (US\$540m), or 1% of total budgeted spending for this year. In a statement the finance ministry explained that the spending cut was due to the fall in international copper prices, Chile's main export, which has negatively impacted on government revenues. Indeed Finance Minister Rodrigo Valdés said that the fall in copper prices has led government economists to reduce this year's GDP growth forecast from 2.75% to 2.0% and that the government had decided to take budgetary measures accordingly.

Valdés went on to say that spending on social benefits would nonetheless be maintained. "The most important thing is for the adjustment to be moderated, we will protect the expenditure that matters most to the people, which is social expenditure," Valdés said. However, cuts will be implemented in the government's current spending, with "austerity measures" adopted in some of its services, in some specific programmes, and on capital spending. According to the statement, 71.3% of the adjustment will be achieved through cuts to current spending, while the rest will fall on capital spending. All ministries, apart from the health ministry, will "participate in this effort" but no adjustment will be made to the budgets of the judiciary or the national congress. Each ministry will receive an adjustment proposal from the finance ministry which will be subject to modification by the ministry concerned.

The statement affirms that the adjustment could not have been expected when the budget was ratified by congress in September 2015. Minister Valdés said that copper price has "significantly decreased over the past few weeks to a level much lower than anyone could have expected six or eight months ago". According to Chile's copper price advisory committee, the price of copper has fallen by 23% since June 2015 to an average of US\$2.02 per pound (/lb) in January, its lowest price since May 2009 and below the US\$2.98/lb forecast in the national budget.

MEXICO & NAFTA

MEXICO | POLITICS & DIPLOMACY

Calibrating the Trump effect

Following the Super Tuesday primaries Donald Trump remains the frontrunner to win the Republican presidential nomination in the US. Nomination is not yet a sure thing. If successful the property tycoon-turned-politician will need to go on to confront a Democratic party opponent, most likely to be Hillary Clinton. Victory over Clinton is also far from assured. But a candidate notorious for his anti-Mexico views has now gone far enough and fast enough in the race to be considered a serious contender for the US presidency. That means Mexican political leaders are starting to imagine what a Trump presidency might be like.

Trump's views on Mexico have – as he intended – received headline coverage. A brief summary: if elected Trump intends to build a gigantic wall (which appears to get higher every time he mentions it) along the frontier to keep Mexican immigrants out. Mexico is to be forced to foot the cost of the wall, for which various numbers have been mentioned (the latest Trump estimate is US\$8bn). In Trump's view Mexicans entering the US include "rapists", murderers and drug runners. A Trump government will deport all Mexicans illegally in the US back to Mexico – an operation that could involve up to 11m people.

Opinion remains divided between those who believe Trump should be interpreted literally, and those who see his statements (such as the claim that all

Mexican presidents on Trump

President Vicente Fox (2000-2006) said he would not “pay for that f***** wall”, adding of Donald Trump that “He reminds me of Hitler...he’s going to use the executive power to do what he’d like”. Another former Mexican President, Felipe Calderón (2006-2012), pointed out that Trump is himself the son of immigrants but “is talking about immigrants who have a different skin colour to him. Frankly it’s racist and exploits sensitivities, rather like Hitler did in his day.”

Muslims should be denied entry to the US) as more of a deliberately provocative and figurative appeal to a disgruntled middle America, deeply worried by immigration, crime, and terrorism, and eager to be offered simple solutions restoring the country’s perceived loss of global power and status.

Mexican reaction

Mexican responses to Trump appear to have evolved through various stages. An initial response was to condemn Trump’s ideas but to treat him as something of a clown. Various Mexican leaders attempted to ignore him entirely. That began to change as the ‘Trump factor’ showed itself to be resilient and to reflect a not insignificant cross-section of the US electorate. One sign of this was that the proposal to build a wall, along with other hard-line anti-immigrant positions have been adopted, with different variants, by Trump’s Republican rivals. He has framed the debate to his advantage.

Another sign of the real impact of Trump’s rhetoric has come from indications that after slowing over recent years, the flow of immigrants into the US has increased again (*see sidebar*), with many reasoning that the time to get in is now, ahead of whatever tougher regulations are introduced after a new occupant enters the White House in January 2017. There are reports that people traffickers are encouraging this notion as a way of boosting demand for their services.

While former Mexican presidents have compared Trump to Hitler (*see page 12 sidebar*), Mexican government officials, have tried to keep out of the war of words, until now. This week Foreign Minister Claudia Ruiz Massieu said the wall plan was impossible, as well as “impractical, inefficient, wrong and frankly...not an intelligent thing to do”. President Enrique Peña Nieto’s chief of staff, Francisco Guzmán, has said the government will use its consulates across the US to publicise the positive aspects of the two countries’ relationship. Peña Nieto, Guzmán added, believes any leader elected to the US presidency would end up taking a softer and more pragmatic line once in office.

Trump wants to renegotiate the North American Free Trade Agreement (Nafta), slapping higher tariffs on Mexican products. Opponents of Trump point out that bilateral trade has quintupled to US\$530bn since Nafta was signed in 1994 and now arguably supports significant job creation in the US as well as in Mexico. Guzmán noted, “It would be difficult to reverse 20 years of integration”.

A number of security experts believe that the “Trump wall” – as described by its main proponent – will never be built. They argue that the cost and technical challenges are prohibitive and that there are legal complications over ownership, right-of-way conflicts, eminent domain disputes, and environmental regulations. But it is feasible that a future US administration would further strengthen and tighten border patrol and deploy advanced technology, including drones and other devices, to make illegal entry significantly more difficult. Mass deportations in the other direction are also possible.

As the process would most probably be accompanied by a sharp cooling in bilateral relations, it is likely that it could be poorly managed and would have serious unintended consequences. One is that a less porous border with fewer illegal drug trafficking routes might intensify the struggle to control those routes between the drug trafficking organisations (DTOs). If Mexican criminals are deported from US prisons and simply dumped on the Mexican side of the border that too is going to increase, not reduce border tensions. US-Mexican security cooperation would most likely decrease sharply and the Mérida initiative – a part US-funded joint security programme – might not survive. Poor security cooperation between the two countries might be seen as a great opportunity by the ever-resourceful DTOs.

Opposition JLP wins by slimmest margin

As we go to press Andrew Holness is being sworn in as prime minister of Jamaica after leading the Jamaica Labour Party (JLP) to victory in the most closely contested general elections since the country's independence in 1962. The JLP will have a majority of just one seat having won in 32 constituencies to 31 for the People's National Party (PNP), which tasted defeat after just one term in power.

The decisive factors that swung the elections away from the PNP in the closing stages were the refusal of Prime Minister Portia Simpson Miller to engage in a political debate with Holness and the JLP's presentation of a 10-point plan, at the heart of which was a promise to carry out a tax reform which would move the income tax threshold to J\$1.5m (US\$12,350) from J\$592,800, giving much of the middle class a tax break [WR-16-07]. The PNP insisted this was unworkable and would jeopardise Jamaica's economic reform plan with the International Monetary Fund (IMF), but by backing out of a debate on flimsy grounds, Simpson Miller spurned the opportunity to expose the plan's shortcomings.

Dr Herbert Gayle, a senior lecturer at the University of the West Indies (UWI), said the PNP had only itself to blame and was guilty of "sinking the eight ball in a pool game". According to the findings of a mini post-election survey, 75% of respondents rejected the PNP's refusal to participate in a debate. This might have contributed to the low turnout of 47.72%. Taken in conjunction with the JLP's tax-break offer, it could have sufficed to swing the general elections away from the PNP in marginal constituencies.

Winning the marginals

The JLP won the battle for the marginal seats hands down on 25 February. Of the 16 constituencies deemed to be marginal based on the 2011 results, the JLP lost just two, capturing 13 from the PNP and retaining one. The JLP won nine constituencies by a margin of under 400 votes, taking St Ann South Western by just 120 in some 14,000 ballots cast. It was similarly tight in terms of total votes with the JLP winning only 4,106 more votes than the PNP in 870,663 ballots cast.

Former Prime Minister Bruce Golding (2007-2011, JLP) said the narrow majority would require strong leadership and discipline. "All members will have to be present for every session of parliament," Golding said, adding that Holness would have to select his Speaker with extreme care given that whoever assumes this position will have the decisive vote. "It is going to be challenging for the prime minister and the government, but there is precedence for it in the Caribbean," Golding said, an allusion to the one-seat majority obtained by Prime Minister Ralph Gonsalves and the Unity Labour Party (ULP) in St Vincent and the Grenadines in December 2015.

Holness refrained from triumphalism, not least because of the JLP's slender majority. "I make the commitment to you that your new Government will not be Government as usual. We don't take it that we have won a prize. We have been given stewardship of the country, and we stand to be held to account for our stewardship," Holness said. The main challenge for Holness and the JLP will be implementing its 10-point plan while preserving economic stability. Simpson Miller warned that the JLP could "throw away the gains" made by her government in improving Jamaica's economic situation, especially its debt profile.

Post mortem

Under the PNP administration, the economy was starting to show signs of recovery. Its management of the economy received an endorsement from Fitch Ratings, which revised Jamaica's rating up a notch earlier this month. Any post mortem within the PNP is likely to conclude that the late surge that brought the JLP to victory owed to some poor decision-making, principally Prime Minister Simpson Miller's refusal to hold a debate with Andrew Holness on petty grounds that smacked of hubris: the PNP demanded an apology from Holness for a perceived slight; threatened legal action; and insisted he clarify details about his house purchase (and then ignored it when he did).

Medina uses annual address as campaign rally**João Santana**

The opinion poll by Greenberg Quinlan Rosner Research was taken before the resignation of President Medina's main campaign adviser, Brazil's João Santana, after an arrest warrant was issued for him as part of the 'Operation Car Wash' investigations into corruption at Brazil's state-controlled oil company Petrobras. Santana allegedly concealed from Brazilian tax authorities his business Polis Caribe Comunicación y Marketing that he created in the Dominican Republic to spearhead the re-election campaign of Medina and his ruling Partido de la Liberación Dominicana (PLD).

President Danilo Medina delivered his annual state-of-the-nation address to the legislative assembly on 27 February, Dominican independence day, with only two-and-a-half months to go before he bids for re-election on 15 May. Medina's address, broadcast on television, was less a round up of the year than it was a summary of his government's achievements since he took office in 2012, taking advantage of the occasion to stage an unofficial campaign rally. Medina highlighted his government's economic achievements, but above all its focus on redistributing wealth through the provision of free health and education benefits. Medina is the firm favourite to win in May, although given that his approval rating has oscillated around 80% for his whole mandate, and the main opposition forged an electoral alliance with him, opinion polls suggest the result will be closer than it might seem.

President Medina pointed out that economic growth hit 7.3% in 2015 and is projected to expand by 6% this year, the highest rate in the region with annualised inflation of just 2.53%. Governments with this sort of economic record do not tend to taste electoral defeat, unless there is a strong public perception that the economic gains are only benefitting the privileged few. This explains why Medina was careful to point out that the expanding economy had helped to create 400,000 jobs and lifted over 950,000 people out of poverty since he came to power in 2012. Medina claimed that he fulfilled his campaign promise of creating 400,000 jobs within four years on 1 January 2016. He also said his government had presided over an expansion of the middle class from 20.7% to 28.9% of the population.

Medina emphasised the expansion of tourism, one of the main drivers of GDP growth. "We are a country of 10m people that received 5.6m tourists [in 2015]," he said, while the sector expanded by 6.3% year-on-year with foreign exchange earnings totalling US\$6.15bn. But Medina also highlighted the ways in which he has sought to channel profit from high-performing sectors to poorer Dominicans. He focused in detail on 129 "surprise" visits he has conducted to rural areas of the Dominican Republic since coming to power which he said had translated into 657 projects representing investment of more than RD\$16.38bn (US\$364m).

Luis Abinader, the presidential candidate for the opposition Partido Revolucionario Moderno (PRM), accused Medina of "mixing lies with half truths" during his address. He said that the tough conditions endured by the majority of inhabitants of the province of Santo Domingo belied Medina's claims regarding poverty. He also accused the government of not doing enough to improve public security. Medina admitted during his speech that criminality was "the most serious issue that we must combat" despite "advances" made by his government. Abinader met the former mayor of New York, Rudy Giuliani, in Santo Domingo on 28 February. Abinader has hired Giuliani, who was famous for his zero-tolerance policy on crime, as his security adviser. Giuliani's security consulting business was also employed in El Salvador last year since when the country has been gripped by heightened levels of violent crime.

Medina enjoys a 55%-34% lead over Abinader, according to an opinion survey carried out by Greenberg Quinlan Rosner Research, a US-based pollster, between 12 and 18 February. Two-thirds of respondents said their lives had improved over the last four years; 89% that education is improving; and 62% that blackouts, a perennial problem, had reduced in number. The survey did expose a few chinks in Medina's armour, foremost among which is his handling of corruption (*see sidebar*).

Opposition activists attacked

The coordinator of the opposition **Movimiento Democrático Nicaragüense (MDN)**, **Carlos Bonilla**, and his wife **Gabriela García**, were set upon last week by five assailants outside their home in Managua. Both Bonilla and García have been active in promoting civil-society demands for free and fair elections in Nicaragua, which are slated for November 2016.

On the morning of 26 February, Bonilla and García had planned to protest in front of Nicaragua's supreme electoral court (CSE), the state institution responsible for organising, directing, and supervising elections in Nicaragua. In October 2015, the MDN began a survey regarding public perceptions of the CSE and the upcoming elections. On 25 February, Bonilla spoke on the television programme 'Esta Noche' where he announced his plans to release the survey results the following morning at the CSE's headquarters.

The details of the attacks have sparked suspicion about the possible involvement of President Daniel Ortega's government in the incident. According to witness reports cited in the Nicaraguan daily *La Prensa*, five unknown men attacked Bonilla and García with knives as they attempted to enter a taxi a few blocks from their home. The assailants did not attempt to rob the couple, but grabbed the documents that they were carrying, which included the survey results. Bonilla suffered stab wounds to his abdomen and head, while García experienced less serious head wounds. García told *La Prensa* on 28 February, the incident was a "failed murder" not perpetrated by robbers but by "directed paramilitaries". For his part, Bonilla told the local press from his hospital bed that he would not abandon his cause because it is a "conviction" and "for [his] country".

The attacks have been widely condemned. On 26 February, the US Ambassador to Nicaragua, Laura Dogu, "strongly" denounced the incident through her *Twitter* account and urged the police to investigate. In press releases published the same day, the opposition Partido Liberal Independiente (PLI) and the Nicaraguan centre for human rights (Cenidh) repudiated and condemned the attacks and demanded a full police investigation.

García says eyewitnesses in her neighbourhood told her that two of the attackers had been captured and turned into the police, but no information on the matter has been released. She promised that the MDN would not be cowed and would publish the survey results. *La Prensa*, which received the survey data ahead of its planned release on 26 February, said the MDN found that the vast majority of Nicaraguans are displeased with the management of the CSE (see sidebar).

Opposition politicians and civil-society organisations regularly criticise the CSE for its lack of plurality. Bonilla and other activists began the Wednesday protests ('miércoles de protesta') where they have consistently demanded CSE transparency and free elections. On 18 February the national assembly elected Mayra Salinas Uriarte and Norma Moreno Silva as CSE magistrates for the next five years. Both candidates were submitted by President Ortega and have deep ties to the ruling Frente Sandinista de Liberación Nacional (FSLN).

Norma Moreno Silva, the sister of the FSLN political secretary in the mayoralty of Managua, Fidel Moreno, had previously served as Nicaragua's ambassador to Argentina and Paraguay. Mayra Salinas Uriarte had been the co-director of the institute of culture since August 2015, and before that president of Nicaragua's tourism office (Intur). Moreno and Salinas replaced former FSLN magistrates Johnny Tórrez and José Luis Villavicencio who resigned in January, citing a desire to open CSE positions to female representation. The opposition argues that the CSE will remain under FSLN control regardless of female representation.

Public view of CSE

According to *La Prensa*, of 9,204 people consulted, 81.7% expressed distrust in the institution and 93.22% favoured national and international observation of the upcoming elections. In the last general election of November 2011, the FSLN won 62 seats in the legislature (compared to 38 in 2006), the PLI won 26 and the Partido Liberal Constitucionalista (PLC) won two.

POSTSCRIPT

Quotes of the week

“Becoming a defendant is not a sentence.”

Brazil's speaker of the federal lower chamber of congress, Eduardo Cunha.

“We would already be implementing widespread cuts if we didn't expect access to international markets in the near future. We can avoid doing that because we know we will have access to credit. The only way to put Argentina back on track is through credit.”

Argentina's finance minister, Alfonso Prat-Gay, on a deal with holdout creditors.

“We have never had this kind of situation, so in a sense, it is uncharted waters, but it is not unchartable waters.”

Former Jamaican Prime Minister Bruce Golding (2007-2011, JLP).

Uruguay's Vázquez sees support plummet

President Tabaré Vázquez has completed the first year of his second five-year term with his approval rating slashed by more than half since he took office from 78% to 36%. In a public address broadcast on radio and television Vázquez said the year had been “difficult [with] major challenges both internal and external”. One of the major issues to undermine his support has been mismanagement at the state oil company Administración Nacional de Combustibles, Alcoholes y Portland (Ancap), which was run by Vice-President Raúl Sendic between 2010 and 2013. Touted by many as the future of the ruling left-wing Frente Amplio (FA) coalition, Sendic has become a major liability for Vázquez. Revelations in recent days that Sendic lied about obtaining his degree have prompted calls for his resignation, with Vázquez himself demanding an explanation.

President Vázquez admitted he had faced a baptism of fire at the start of his second term in office when a series of protests by the umbrella trade union Plenario Intersindical de Trabajadores–Convención Nacional de Trabajadores (PIT-CNT) culminated in a general strike on 6 August last year. He has also suffered a crisis in the education sector with myriad protests over salaries and budget. Vázquez assured the public that Uruguay remained on the correct path “despite these difficulties”, but his credibility has been affected by the scandal surrounding Sendic.

On the curriculum vitae that Sendic sent to congress when he was chosen as Ancap president in 2010 it states that he was awarded a degree in human genetics from the Universidad de La Habana, a subject which the Cuban university does not even offer according to an investigation by the national daily *El Observador*, published on 24 February. Sendic admitted that he had not taken the degree. “I took a short training course to teach genetics,” he said.

Deliberate falsehood about his academic qualifications might not be terminal in itself for Sendic's political future but in the context of the Ancap scandal it raises serious questions about his integrity and is politically damaging for the FA. Sendic could also be prosecuted. The right-of-centre opposition Partido Colorado (PC) threatened to file a criminal complaint and called for Sendic to resign as he had “lost credibility”.

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