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Peña Nieto and PRI seek to regain initiative in Mexico

Mexico's President Enrique Peña Nieto and the federally ruling Partido Revolucionario Institucional (PRI) have come out fighting in the wake of the worst set of results in the party's history in gubernatorial, state legislative and municipal elections on 5 June. Peña Nieto sought to regain the initiative immediately by urging congress to approve the necessary secondary legislation to get his government's national anti-corruption system (SNA) off the ground; corruption is being seen as one of the principal causes of the PRI's humbling electoral defeats. The federal attorney general's office (PGR) then swooped on the figurehead of the longstanding teacher protests against the government's education reform; Rubén Núñez was arrested on suspicion of misappropriating at least M\$24m (US\$1.3m).

The PRI president, Manlio Fabio Beltrones, said the party would need to weigh up what went wrong after it was savaged at the polls. One conclusion is that the PRI's failure to root out corruption among senior party officials played a major part. Allegations of embezzlement and malfeasance bedevilled incumbent PRI governors in Tamaulipas and Veracruz, Quintana Roo and Durango, states where the party was duly punished despite never having tasted defeat there. The issue of corruption was also a factor in the PRI defeat in Chihuahua. The right-wing opposition Partido Acción Nacional (PAN) was the chief beneficiary of the protest vote.

In addition to PRI-tolerated corruption at state level, real-estate scandals in late 2014, involving the purchase of houses from government contractors, embroiled prominent figures in President Peña Nieto's public and private life: his finance minister, Luis Videgaray, and wife, First Lady Angélica Rivera. These have strengthened the prevailing public perception that the Peña Nieto administration is not committed to combating the scourge of corruption, which is widely seen as the biggest hurdle to Mexico's competitiveness.

In his most persuasive speech to date to counter this image, Peña Nieto told the Mexican business council, Consejo Mexicano de Negocios, on 9 June that he was acutely aware "there is a [public] demand to combat corruption and impunity". Peña Nieto said that efficient new institutions, created under the SNA, working harmoniously with existing bodies could go some way towards tackling the problem. But, he stressed, "we all need to be part of a collective effort to genuinely transform, culturally, our great social blight which is corruption".

Peña Nieto's comments were an acknowledgement of the pressing need for his government and the PRI to be seen to embrace an anti-corruption agenda in order to assimilate the lessons of 5 June in order to revive the party's fortunes ahead of three gubernatorial elections in 2017 and the presidential

Núñez arrest

The twice-former presidential candidate Andrés Manuel López Obrador denounced the “arbitrary and dictatorial nature” of Rubén Núñez’s arrest and pledged the unconditional support of his party, Movimiento Regeneración Nacional (Morena), for the CNTE’s protests ahead of yet another tilt at the presidency in 2018. The leader of the left-wing Partido de la Revolución Democrática (PRD), Agustín Basave, accused the government of irresponsibly politicising justice and of adopting a hard line on education reform as part of a “dangerous” ploy to position the education minister, Aurelio Nuño, as the PRI’s next presidential candidate.

elections of 2018. Meanwhile Ricardo Anaya, the president of the PAN, underlined his party’s commitment to approving the secondary legislation to enact the SNA saying that it had “grasped the message [from the elections] very well: Mexicans don’t want more corrupt public servants”.

Anaya said that PAN federal deputies and senators would vote in favour of all seven pieces of secondary legislation in extraordinary sessions of congress to help create a culture of open government and not just cosmetic changes. “The PAN is committed to transparency, accountability and the creation of effective mechanisms that ensure that those that steal money from the Mexican people hand it back and end up in jail,” Anaya said, claiming that corruption cost Mexicans US\$48bn a year, the equivalent of 9% of GDP and two-thirds the size of the country’s foreign debt. The PAN agreed in a meeting on 9 June that transparency and combating corruption would be one of the four main pillars of incoming governors, some of whom have already made clear they will move to prosecute PRI incumbents (in Tamaulipas, Chihuahua and Veracruz) for misappropriating state funds.

It is far from clear that the PRI has digested the message from voters, or whether there is sufficient political will within the party to overcome entrenched interests. The senate approved the first piece of secondary legislation related to the SNA on 15 June, the so-called ‘3de3 law’ requiring all public officials to publish a full declaration of their assets, business interests and tax returns. But PRI senators diluted it by adding a clause meaning that officials would not have to disclose information that could “affect their private life or personal data protected by the constitution”.

The PAN criticised the PRI for failing to embrace the spirit of the ‘3de3’ initiative, which was drawn up by a group of activists, academics, and businessmen last March under a 2012 political reform allowing citizen participation in the creation and modification of national legislation, and signed by 634,000 members of the public. It now goes to the federal lower chamber.

Throwing the book at protesting teachers

The government also seems to have seized on the climate of zero-tolerance for corruption to try and remove a thorn in its side. On 12 June the PGR arrested Rubén Núñez, the leader of the most militant wing of the teachers’ union Coordinadora Nacional de Trabajadores de la Educación (CNTE), based in Oaxaca and known as Sección 22.

The PGR accused Núñez of illicit enrichment to the tune of some M\$24m (US\$1.3m) between 2013 and 2015 through the signing of agreements between Sección 22 and certain companies in Oaxaca that stumped up a bimonthly commission of 3.5% for the sale of goods and services to CNTE members. The PGR alleged that Núñez, and other members of the Sección 22 leadership (it also arrested the body’s secretary, Francisco Villalobos, a day earlier and a further six in the days beforehand) siphoned off these funds. It is investigating further embezzlement “in excess of M\$132m (US\$7.1m)”.

The decapitation of Sección 22, the most visible opposition to the government’s education reforms, evoked parallels with the arrest on charges of embezzlement of Elba Esther Gordillo, the leader of Mexico’s largest teachers’ union, Sindicato Nacional de Trabajadores de la Educación (SNTE), and one of the most influential figures in Mexican politics over the past quarter-century, shortly after Peña Nieto took office in December 2012. The *coup de foudre* emasculated the SNTE and underpinned Peña Nieto’s authority. The strike against Núñez will not have the same impact because Peña Nieto’s authority has been weakened since then. The very next day teachers blocked roads in Oaxaca, Tabasco and Chiapas as well as Ciudad de México to demand the release of Núñez and his fellow “political prisoners” (see sidebar).

Kerry announces US talks**US-Venezuela talks**

US-Venezuela talks last year, led by Tom Shannon, faded after a few months. President Maduro requested dialogue in April, after relations hit a low point upon the imposition of fresh US sanctions on Venezuelan officials and the declaration by President Barack Obama – standard issue under sanctions – that Venezuela constituted ‘a threat to US national security’. The talks were short-lived, as Venezuela’s internal crisis rapidly deteriorated. They faded altogether when, to US dismay, a judge imposed a maximum jail sentence on the Venezuelan opposition leader Leopoldo López in late September.

The US Secretary of State, John Kerry, has announced fresh talks with Venezuela, ostensibly in a bid to strengthen the fragile relations between the two sides. Kerry, who met in person for the first time with Venezuela’s foreign minister Delcy Rodríguez on the margins of the 46th General Assembly of foreign ambassadors to the Organization of American States (OAS), said he was “committed” to this new dialogue and wanted “to go beyond the usual rhetoric”. He emphasised that the US was not seeking to ‘impose’ anything on Venezuela. Nevertheless, Kerry had earlier made the strongest official US statement yet in favour of the Venezuelan opposition effort to stage a recall referendum on President Nicolás Maduro this year.

In his remarks to the OAS assembly, Kerry stated: “Venezuelans have the right to use constitutional mechanisms to express their will in a peaceful and a democratic manner. The United States joins with Secretary General [Luis] Almagro and others in the international community in calling on the Venezuelan Government to release political prisoners, to respect freedom of expression and assembly, to alleviate shortages of food and medicine, and to honour its own constitutional mechanisms, including a fair and timely recall referendum that is part of that constitutional process”. He continued that Almagro’s “invocation of Article 20 of the Inter-American Democratic Charter will open a much-needed discussion about Venezuela within this organisation’s permanent council, and we stand ready to participate in that discussion, and along with our OAS partners, help facilitate that national dialogue that will ultimately address the political, economic, social and humanitarian dimensions of this crisis”.

Kerry later made clear to reporters that the US did not support the suspension of Venezuela from the OAS. “The United States is not taking that position, we are not pushing for a suspension. I don’t think that would be constructive,” he stated. The OAS is due to discuss the matter on 23 June at its Washington DC plenary.

Rodríguez was quick to blast Kerry and Almagro, for “international bullying” and accused Almagro of “bias in favour of opposition sectors in Venezuela seeking a coup”. “I see now this is ordered by Washington...I know they are on Washington’s payroll to meddle in the domestic affairs of Venezuela”, she declared. Not long after, she posed smiling with Kerry for photographers as they announced the new bilateral talks, which, apparently, will be at the highest possible level, directly between Kerry and Rodríguez.

Back in Caracas, President Maduro welcomed Kerry’s announcement and proposed that the two countries exchange ambassadors. According to some Venezuelan reports, Tom Shannon, the Under Secretary of State for Political Affairs at the US State Department, is already in Caracas to do the preparatory work, although this could not be confirmed.

Maduro also reiterated that he was open to dialogue with the opposition Mesa de la Unidad Democrática (MUD) under the framework of a dialogue mediated by the Union of South American Nations (Unasur), on whose behalf three former presidents have been seeking to liaise with the two sides. Maduro called on the MUD to appoint representatives to the table, to be hosted by the Dominican Republic. However, he reiterated his condition that the opposition drop its efforts to stage a recall referendum. He railed at international efforts to ‘impose’ a referendum on Venezuela and suggested the OAS should first ask all other members, “starting with the US, Argentina, Brazil, Paraguay, etc”, to insert a recall referendum in each of their own

Recall referendum

Tania D'Amelia, a hard-line CNE rector, issued a four-page document on 14 June questioning (in rather convoluted terms) the MUD's legal authority to request a recall referendum. She also defended President Maduro's rights to due process as an elected official, as well as his "humanitarian and constitutional rights". Ominously, she also suggested that even if the CNE verifies the first batch of signatures submitted by the MUD, that does not automatically mean that it will proceed to the next stage, which requires submission and verification of a further 3.9m signatures (20% of the electorate). Jesús Torrealba, the MUD's secretary general, slammed "the judicialisation" of the recall process, suggesting deliberate moves by the CNE, the PSUV and the TSJ to tie it up in sufficient legal knots to delay it past the point at which an affirmative vote would trigger fresh elections (January 2017). Maduro insists that a referendum, if held at all, will only happen in 2017.

constitutions. He reiterated that in Venezuela a referendum was a "possible option", but not "an obligation".

Opposition figurehead and chief proponent of a recall process Henrique Capriles Radonski has been in Paraguay, Argentina and Brazil, to support his cause. The new centrist government in Buenos Aires – previously slammed by critics for a "cynical" decision not to back Almagro's calls to invoke the democratic charter (apparently in return for Venezuelan support of Argentina's proposed nominee for the post of United Nations secretary general, the country's foreign minister Susana Malcorra) – appears to have shifted position slightly, stressing support for a "democratic" solution in Venezuela.

Brazil's new foreign minister, José Serra, did not hesitate to voice the new centre-right government's more critical stance. Noting that while Brazil took a principled stance of non-intervention in the sovereign affairs of other states, it could not "remain indifferent" to the crisis in Venezuela. Expressing concern about the social impact, Serra said Brazil would "insist" upon remedial efforts at international forums including the UN and OAS, noting that such efforts would prioritise "helping the people, who suffer most from bad governments". Serra also said that "a country with political prisoners is not democratic". Echoing that point, Capriles said that it would be "unacceptable" for Maduro to assume from Uruguay the rotating presidency of the Southern Common Market (Mercosur). Paraguay's conservative government has already suggested activation of Mercosur's democratic clause to suspend Venezuela from the regional bloc.

Anyone would be forgiven for being confused by all these diplomatic comings and goings. In short, the Maduro government is determined to avoid the OAS invoking the democratic charter, while the opposition is equally determined that the OAS exert maximum pressure on Caracas. In this context, talks with Kerry and/or the opposition under the Unasur framework suit Maduro, as they allow him to portray the Venezuelan government as reasonable and willing to engage. To this end, Venezuela has reportedly now invited the three former presidents seeking to organise the Unasur talks, José Luis Rodríguez Zapatero of Spain, Leonel Fernández of the Dominican Republic and Martín Torrijos of Panama, to appear before the OAS to spell out their efforts to date. The OAS permanent council in Washington will apparently receive the three on 21 June, two days before its plenary meeting. The MUD, which refused Rodríguez Zapatero's efforts to persuade it to drop the recall referendum, and views the three mediators as biased, will look with some suspicion on this planned OAS appearance.

While some critics have accused Almagro of naivety for his controversial move to seek to invoke the democratic charter, which ultimately stands very little chance of approval given the sustained support for Venezuela of left-wing regional allies and its Caribbean oil clients, others suggest that Almagro never expected it to be approved and is just using the threat, potentially with the backing of the US and Brazil's new administration, to turn the screw on Maduro. It is very unclear that this strategy, if indeed the plan, is working.

Recall referendum

President Maduro has defended the move by the ruling Partido Socialista Unido de Venezuela (PSUV) to petition the supreme court (TSJ) for a protection order against the MUD, after the national electoral council (CNE) said on 10 June that it had found evidence of fraud in 600,000 of 1.97m signatures submitted to petition a referendum. Jorge Rodríguez, the hard-line PSUV mayor of the main Caracas municipality of Libertador, who was asked by Maduro to head up a newly created 'presidential commission' to 'audit' the CNE's signature verification process, argued that this alleged fraud violated Venezuelan citizens' constitutional rights and could require criminal charges against the MUD. Rodríguez also asked the TSJ to examine the whole verification process, raising fears that the TSJ will delay the process or even scrap it altogether.

Fujimoristas condition Kuczynski cooperation

Fujimorismo

The future role of Fuerza Popular (FP), and the influence of Keiko Fujimori within the party, will become manifest in the weeks ahead. Traditionally a cohesive force, FP is subject to strong internal pressures in the wake of Fujimori's electoral defeat. She is now a twice defeated presidential candidate, however narrow those defeats might have been, and could see her powerbase eroded. The more radical faction of the party loyal to her father Alberto Fujimori (1990-2000) could seek more influence, and her brother, Kenji, is also determined to take centre stage.

President-elect Pedro Pablo Kuczynski offered an olive branch to his defeated rival for the presidency, Keiko Fujimori, this week. But while Fujimori recognised her defeat she gave no indication that she would be prepared to work with Kuczynski for the sake of governability in Peru. Instead, she promised that her Fuerza Popular (FP) party, which will have a simple majority with 73 seats in the 130-seat congress, would provide "a responsible opposition". While Kuczynski urged her "to start afresh and work together for Peru", Fujimori is not going to give him what he wants that easily. Several FP deputies are demanding that Kuczynski make a public apology for campaign comments as a pre-condition for any talks.

The final count issued by the electoral authorities (Onpe) showed that Kuczynski slightly increased his margin of victory to 42,597 votes (50.12% to 49.88% with 19.9% abstention). "We democratically accept the Onpe results," Fujimori said, even in defeat retaining her campaign focus on her commitment to democracy. Fujimori wished "Kuczynski and his allies" all the best. This was an ironic reference to the left-wing Frente Amplio (FA), whose leader Verónica Mendoza swung the elections Kuczynski's way but is now promising to provide a firm opposition just as he is reaching out to FP to be an ally of his incoming government.

Kuczynski thanked Fujimori for recognising her defeat and promised to meet her. He said there were "programmatic similarities" with FP, expressing regret that in the heat of battle "excessive words [were exchanged] on both sides". This did not cut any ice with FP deputies Rolando Reátegui and Karla Schaefer, who said that Kuczynski would need to make a public apology to Fujimori before the party would consider holding any talks with him.

It would be a blow to Kuczynski's credibility if he prostrated himself before Fujimori in this fashion, immediately costing him the borrowed support from anti-Fujimoristas that won him the elections. Insults were traded during the campaign; it was far from one-way traffic. The spokesman of Kuczynski's Peruanos por el Cambio (PPK), Juan Sheput, responded by saying it was incumbent on Fujimori to make the first move and visit the president-elect. But Kuczynski wants this meeting. He is likely to dangle the prospect of releasing former president Alberto Fujimori (1990-2000) from prison to serve the remainder of his sentence under house arrest as his big gesture to FP.

In an attempt to derive some political gain from the current standoff, Mauricio Mulder, a senior figure in the Partido Aprista Peruano (PAP), offered to provide a bridge between the incoming government and congress (in other words FP) during a meeting with Kuczynski this week. The PAP, which will have five seats, has worked closely with FP during the current administration of President Ollanta Humala. The incoming economy minister, Alfredo Thorne, said his team would try and draft some legislative proposals over the next few weeks and broach them with FP.

Meanwhile Mendoza said the FA, which will have 20 seats, was poised to present a series of "fundamental proposals", after which she said she would be prepared to meet Kuczynski for talks. It is doubtful whether many of these will hold much appeal for Kuczynski but he is well aware, especially in the face of FP obduracy, that he will need to negotiate support for his government's legislative agenda on a case-by-case basis and that will require some compromise. He also intimated his openness to negotiation this week by promising to create "a broad-based cabinet that represents different points of view in Peru including people from the regions and high-flying professionals".

Security

The main public concern in Peruvian opinion polls is insecurity. President-elect Kuczynski has already touched on the issue since his electoral victory. He has promised that tackling insecurity will be a priority of his incoming government. He says he will set about this by reviving police intelligence, building more police stations, and reforming the penal code to allow cumulative sentences. He has also promised to improve police salaries progressively and to incorporate bonuses into their pay structure for pension purposes.

Kuczynski said he would name his cabinet within three to four weeks (he takes office on 28 July), providing a combination of experience and youth with an emphasis on “people that sort things out rather than leaving them to chance”. Kuczynski said he would like to keep the current education minister, Jaime Saavedra, in his place and confirmed that he would retain Julio Velarde as president of the central bank (BCR). He said he would reshape the cabinet, however, fusing some ministries and creating others, such as a ministry to support the regions.

Kuczynski will be able to exert significantly more pressure on FP to cooperate with his incoming government’s legislative initiatives if he manages to break an entrenched tradition this century of Peruvian heads of state presiding over plummeting approval ratings. He promised this week to visit regions where there are social conflicts over extractive activities. It is not clear whether this extends to meeting the leaders of protest groups, something Humala adamantly refused to do, but this could help to prop up his popularity, as far less is expected of him in this regard than of Humala. It will be a challenge, however, for Kuczynski to retain public support of anything like the 50.12% of the electorate who backed him in the second-round showdown,, as much of this was a vote against Fujimori rather than a vote for him. The 21% Kuczynski obtained in the first round is a more accurate reflection of the level of personal popularity from which he will embark upon his presidency.

ECUADOR | ECONOMY

Correa optimistic for 2017

Ecuador will resume growth in 2017, according to President Rafael Correa, who continues to insist that he will not stand for re-election next February. It has been an *annus horribilis* for Ecuador which, already enduring economic recession on the back of the collapse in oil export prices, suffered the loss of over 600 lives in a severe earthquake in April, the worst natural disaster to hit the country in decades, the effect of which will be to deepen the contraction this year by up to 1% beyond the estimated -4.5% projected by the International Monetary Fund (IMF) just days before the disaster struck.

President Correa has spent recent weeks trying to put a positive spin on his decade in office, starting with his final state-of-the-nation address on 24 May, in which he declared his term “a victorious decade” and said he would hand over a “totally different” country to the one he inherited in 2007. Correa has focused in particular on the positive economic impact of the sizeable investments carried out under his administration. “There is no better saving than a good investment,” Correa said, pointing to the network of brand new highways across the country (US\$8.9bn of investment) and infrastructure, especially a string of new hydroelectric dams worth US\$7.2bn [WR-16-20].

With this in mind, Correa now makes the point that the earthquake reconstruction efforts – now officially costed at US\$3.34bn – will play a part in supporting an economic recovery in 2017, when the oil sector is expected to rebound on a rise in global prices and a continued output increase as new capacity comes on-stream. According to Correa, while the negative drag on the economy this year from the earthquake was initially put at 0.7% of GDP, the government’s “active policies” to get reconstruction efforts underway may result in a positive stimulus starting from the second half of this year and lasting well into next year.

The planning minister, Sandra Naranjo, announced in early June that of the required US\$3.3bn, a full two-thirds would come from the State. This will be used to rebuild destroyed infrastructure including homes, roads, schools and health clinics, while the opportunity will also be taken to improve water

Earthquake

Almost two months after the earthquake, some 80,000 people are still living in temporary accommodation. The total registered death toll to date is 668; seven victims are still missing. Well over 4,500 people were injured in the disaster. The Correa government's initial emergency response was heavily criticised by those affected. The president has extended a national state of emergency imposed in the days after the earthquake – a move criticised by the opposition as political opportunism.

supply systems in the affected areas (the provinces of Esmeraldas and Manabí). Nearly 60% of the US\$2.3bn to be contributed by the state will come from Ecuadorean taxpayers, by way of temporary tax measures that took effect as of 1 June, including a two-percentage-point rise in value added tax (VAT) to 14%, higher income tax and a new tax on assets. The remaining US\$1bn of external financing for the reconstruction effort should come by way of loans from the Inter-American Development Bank, the CAF-Development Bank of Latin America and the IMF – albeit this US\$1bn figure has yet to be confirmed.

Finally a further US\$1bn will be asked of the private sector, to make up the US\$3.3bn. There has been some criticism that the private sector has been made to pay twice – first in taxes and secondly in the US\$1bn voluntary funding contribution – and questions as to why the Correa government failed to put aside even a minimal amount of its oil windfall earnings over the past decade to deal with either a fall in oil prices or a disaster of the magnitude that struck in April.

More controversially, Correa has said that he intends to re-submit to the national assembly highly unpopular proposals to levy capital gains taxes on real estate as well as inheritance tax increases. He withdrew these proposals last year in the face of noisy public protests. The national assembly, controlled by the ruling Alianza País (AP), may also have to consider additional tax measures, according to assembly president Gabriela Rivadaneira. This will not endear the AP to voters ahead of February's elections. In recent polls Correa's disapproval rating was running at 58%, the lowest level since he took office. But without Correa on the ballot, the AP may struggle to convince voters, who appear increasingly thirsty for change.

TRACKING TRENDS

COLOMBIA | IMF credit line. On 13 June the deputy managing director of the International Monetary Fund (IMF), Mitsuhiro Furusawa, approved an extension of a two-year Flexible Credit Line (FCL) programme with Colombia. Under the new deal Colombia will have access to an FCL of US\$11.5bn, which replaces a previous agreement with the IMF, signed in June 2015, which offered US\$5.4bn. Furusawa said that the decision answered to the fact that “Colombia has a track record of very strong policy frameworks, including an inflation-targeting regime, a flexible exchange rate, and a fiscal policy guided by a structural balance rule”. Meanwhile an IMF press release stated that while “Colombia's macroeconomic policies have provided flexibility to deliver a coordinated and gradual response to the large decline in oil prices”, the new FCL agreement would “provide added buffers” to ensure that the government's economic policies can be maintained in the presence of “increased downside risks”.

The IMF's decision suggests that there is confidence in the economic management of the government led by President Juan Manuel Santos. This confidence would have been bolstered by the release of Colombia's first quarter economic growth figures last week. According to a 3 June government press release, Colombia's economy grew by 2.5% in the first quarter of 2016, driven by the industrial, construction, and financial sectors.

Colombia's industrial sector saw an increase in activity of 5.3% during the period, while activity in the construction sector increased by 5.2%, and in the financial services sector by 3.8%. Activity in the mining and hydrocarbons sectors, hit hard by the fall in international oil prices, contracted by 4.6%.

The resilience shown by Colombia's economy throughout this adverse scenario, which is being felt more deeply by other, more oil-dependent Latin American countries, was highlighted by the international ratings agency Moody's in its latest country report issued on 2 June. Moody's maintained Colombia's overall rating at 'Baa2' (medium grade and moderate credit risk) with a 'stable' outlook, citing a “solid macroeconomic policy” and “an effective response to external shocks”.

Cunha nears the end of the line

Eduardo Cunha, the suspended speaker of the federal lower chamber of congress, and the man who instituted impeachment proceedings against Dilma Rousseff, is likely to lose his parliamentary seat soon and could then face jail on numerous corruption charges. All of his assets have been frozen, and he faces at least six separate, serious allegations. Given his unrivalled capacity to manipulate congressional procedure, and his continued (if diminished) political clout, Cunha cannot be written off just yet. But negotiations have already begun in Brasília as to who will succeed him.

Brazilians remain divided over the rights and wrongs of impeachment but few outside of congress itself will lament Cunha's passing. The sheer mountain of evidence of corruption that has steadily accumulated against him; the revelations about his and his wife's extravagant lifestyle; and his shameless capacity to stall the work of the congressional ethics committee to avoid losing his mandate have turned him into the symbol par excellence of Brazil's corrupt, dysfunctional democracy.

In the end it was the vote of Tia Eron, one of just a handful of black women in Brazil's congress, that swung the balance against Cunha. An evangelical from the Partido Republicano Brasileiro (PRB), Eron had been expected to vote in Cunha's favour, particularly after she failed to attend last week's committee hearing. But while Eron had faced extreme pressure to back Cunha from her party leader, the public demand for her to vote against was also intense. In the end, she appeared to relish her moment in the spotlight. "No one orders this black woman here!" she cried, as she cast her vote in favour of Cunha's removal.

By 11-9 the committee ruled that Cunha had lied to congress over his claim to have no foreign bank accounts (when incontrovertible evidence emerged that he owned several Swiss bank accounts, he claimed they were "trusts"). Cunha immediately said that he would appeal to the congressional constitution and justice committee (CCJ). With a number of allies still on this committee, Cunha hopes to influence it to water down the report and punishment issued by the ethics committee, which would see him barred from political office for eight years.

Cunha's chances of success are slim. The CCJ is a much larger committee, with over 60 members; influencing enough of them to make a difference may prove beyond him and his dwindling band of allies. The final step for his removal will be a vote by a full session of congress in which a simple majority – 257 deputies – will swing the decision. No analysts appear to believe Cunha has that level of support, especially given it will be an open vote and few deputies would risk showing their backing for Cunha in such a highly publicised vote.

Stripped of his mandate, Cunha would lose his access to the privileged forum of the supreme court, and instead would face justice in an ordinary federal court, most likely that of Judge Sérgio Moro, the chief investigator of 'Operation Car Wash'. Given the severe sentences meted out to many of Brazil's business elite over their role in the Petrobras corruption scandal, Cunha may face a long period in jail.

Plea-bargaining?

On the evening of 15 June, Cunha denied reports in the local media that he had decided to enter into plea bargaining testimony with prosecutors. Much of Cunha's staying power in office despite the avalanche of accusations

Cláudia Cruz

On 9 June, Judge Sérgio Moro accepted the accusations by federal prosecutors in the 'Operation Car Wash' investigation and indicted Eduardo Cunha's wife, Cláudia Cordeiro Cruz. According to prosecutors, Cruz spent almost US\$1m of illicit funds on shoes, bags and clothes alone.

Foreign investment

André Moura, the leader of the government in the federal lower chamber of congress, has said that the executive plans on putting forward proposals to allow foreign companies to invest up to 100% of the capital of national airlines. The government of Dilma Rousseff increased the amount of investment permitted from 20% to 49%.

against him has been attributed to his impressive ability to raise funds for other congressional deputies. As such many reportedly fear that Cunha's testimony to prosecutors could be explosive, revealing the illicit campaign finance contributions that secured the elections of dozens of serving politicians. But so far, it appears, Cunha is still hoping for a different end to this story. "I have not committed any crime and so I have nothing to bargain with," Cunha wrote in a statement.

BRAZIL | POLITICS

Temer accused in Machado testimony

In the plea-bargaining testimony offered to prosecutors by Sérgio Machado, the former head of Transpetro, the subsidiary of the state-run oil giant Petrobras, he named over 20 politicians who received illegal campaign finance contributions from the company. The most striking name was that of Michel Temer, the interim president, who Machado accuses of soliciting R\$1.5m (US\$400,000) for the 2012 São Paulo mayoral candidate, Gabriel Chalita, of the Partido do Movimento Democrático Brasileiro (PMDB). Temer dismissed the claim as "completely untrue". Whether or not the claim stacks up, the accusations complicate life further for the Temer administration, already battling a slew of corruption charges.

In an attempt to reduce his jail time, Machado told the attorney-general's office that he used Transpetro to make off-the-books campaign contributions to the PMDB, the Partido dos Trabalhadores (PT), the Partido Progressista (PP), Democratas (DEM), the Partido da Social Democracia Brasileira (PSDB) and the Partido Comunista do Brasil (PCdoB). Machado has also committed himself to returning R\$75m of his personal wealth to state coffers.

Aside from the claim against Temer, Machado also said that he paid R\$1m to the former PSDB presidential candidate Aécio Neves, which was used to pay bribes to up to 50 federal deputies for their support in the internal elections for speaker of the lower chamber of congress in 1998 and 2000. Renan Calheiros, the president of the federal senate, received a monthly payment of around R\$300,000 for 10 years, totalling R\$32m over the past decade. Romero Jucá, the former planning minister in Temer's administration, and still an influential senator, took R\$21m in payments. Henrique Alves, the current (and former) tourism minister, was paid R\$1.55m between 2008 and 2014.

Other names that Machado mention include Edison Lobão, the former minister of mines and energy, also from the PMDB, who requested monthly payments of R\$500,000, but Machado was only able to provide R\$300,000. Francisco Dornelles, the acting governor of Rio de Janeiro state, received R\$250,000 in illicit campaign financing for the 2010 elections.

Machado told prosecutors that he met Temer at an air base in Brasília in late 2012, when Gabriel Chalita was struggling in the race for the São Paulo mayoralty. "The context of the conversation made clear that what Michel Temer was arranging with [Machado] was for him to solicit illegal funds from companies that had contracts with Transpetro in the form of official donations," he said, in signed testimony. Allegedly, Machado then requested the funds from Queiroz Galvão, one of the construction companies involved in the Petrobras corruption scheme. A statement released on 15 June by the presidential palace Planalto said that "in his entire public life, the acting president Michel Temer has always strictly respected the legal limits of the search for funds for electoral campaigns".

Calheiros

Of all the names mentioned, perhaps the one causing the biggest headache in Planalto is that of Calheiros. Though Calheiros and Temer are not close,

Belo Monte

On 14 June Brazil's supreme court opened a new inquiry to investigate the senate president, Renan Calheiros, and PMDB senators Romero Jucá, Valdir Raupp, and Jader Barbalho over the suspected siphoning off of funds earmarked for the Belo Monte dam, the controversial hydroelectric project which risks "destroying the heart of the Amazon", according to Greenpeace.

and indeed Calheiros was one of the most stalwart defenders of suspended president Dilma Rousseff, the PMDB senator was politically astute enough not to stand in the way of the impeachment process. Now, however, faced with mounting pressure over these corruption allegations, he could throw a spanner in the works of the senate trial of Rousseff.

Already, around a dozen of the 55 senators who voted to open impeachment proceedings against Rousseff have shown a willingness to reconsider their votes in the light of Machado's revelations which cast doubt on the motivations of those who initiated the proceedings against her. Rousseff only needs just over a third of the senate votes to survive and she has promised to hold a referendum on whether to call fresh elections should she return to power, an idea that may only become more attractive as further corruption allegations from 'Operation Car Wash' buffet the Temer administration.

BRAZIL | ECONOMY

Meirelles unveils 20-year cap on spending plans

In an effort to restore investor confidence in the Brazilian government's administration of the economy, Finance Minister Henrique Meirelles has outlined an ambitious proposal to cap government spending until 2036. With Brazil's public debt to GDP ratio over 67% and rising, the government plans to freeze current spending in inflation-adjusted terms for the next 20 years. Any increase in government revenue as the economy recovers would go to tackling the budget deficit rather than public spending. While the proposal has been broadly welcomed by economic analysts, many warn that further tax rises or spending cuts will be necessary to tackle Brazil's debt burden in the short term.

Michel Temer, the interim president, presented the proposal to federal congressional party leaders on the evening of 14 June. Andre Moura, the leader of Temer's ruling coalition in the lower house, told *Reuters* that the constitutional amendment had been well received by allies and that it would be presented for a vote within 60 days. But the president of the senate, Renan Calheiros, has indicated that the vote should only take place after the final impeachment vote on suspended president Dilma Rousseff; an acknowledgment that Brazil's political mayhem could continue to unsettle its economic plans. Any constitutional amendment requires a two-thirds majority to pass.

Congress has already approved a measure that will see public spending on health and education in 2017 limited to the 2016 amount, adjusted for inflation. Meirelles said that going forward spending on particular areas may increase, but that would require taking money from other commitments, in order not to violate the overall principle of a spending freeze. The finance minister insisted that congress would remain in charge of allocating resources as it sees fit. Further amendments will be added to the proposal in future weeks to control obligatory spending, such as that on pensions, currently the third-largest spending category.

"We will continue working on pensions and other benefits," Meirelles said. "The PEC [constitutional amendment] will function as a catalyst. The important part is to improve the spending ceiling, this is the most significant initial step." Meirelles went on to argue that the main reason for the country's five consecutive quarters of recession was investor doubt over the sustainability of Brazil's public debt. He added that government intervention had also weighed down both investor and consumer confidence. Brazil posted a fiscal deficit of more than 10% of GDP last year as its economy slid into the worst recession in decades. The rapid deterioration of public accounts has cost the country its coveted investment-grade credit ratings.

A global problem

The refocusing on the issue of prison overcrowding in Paraguay comes just as the International Committee of the Red Cross (ICRC) has warned that this is a global problem not just one confined to Latin America. At a workshop held in Panama between 31 May and 2 June, the ICRC said that a chronic lack of investment in prison infrastructure and rising crime levels meant that prison overcrowding had worsened in the region in the last few years. But the ICRC said that unlike other regions Latin America has “an enormous potential” to address this problem given that the situation in the region can be drastically improved by investing a modest amount more in improving prison infrastructure and improving the allocation of existing resources.

Brazil’s equity and currency markets rose on the news, with the São Paulo stock exchange index (Bovespa) up 0.6%. Juan Jensen, an economist at the consultancy 4E, described the spending cap as a “powerful” tool but the mix of fiscal measures as “incomplete”. According to 4E’s analysis, Brazil’s public debt will only start to fall in 2025 after reaching 93.1% of GDP in the previous year. “It is obvious that there is a need for a sharp adjustment in the short term, given the unsatisfactory speed in the growth of the deficit,” Jensen said.

Others questioned whether it was wise to tie the government’s hands so rigidly on public spending. Neil Shearing, chief emerging markets economist at Capital Economics, said, “Brazil finds itself in a particularly acute fiscal position at the moment, but from a macroeconomic standpoint it’s never a good idea to have too much rigidity on spending in either direction.”

Inflation

According to the central bank’s latest projections, inflation is expected to fall back within the target range of 4.5% plus or minus 2% by 2017. The central bank left its benchmark Selic interest rate steady at 14.25% for the seventh straight time last week to battle persistently high inflation.

PARAGUAY | POLITICS

Fatal fire puts focus on prison overcrowding

The death of five inmates and a security officer in a fire at Paraguay’s largest prison, Tacumbú, has re-ignited longstanding concerns about the state of the country’s dilapidated prisons. The incident once again puts the spotlight on the issue of severe overcrowding in Paraguay’s prisons and the need for investment in the country’s creaking prison infrastructure. It has also sparked a controversy between government officials.

How the fire started on 10 June is still not clear. The authorities suspect that it was an electrical fire caused by faulty electricity transmission cables but have said that forensic investigators would not be able to determine this for up to 15 days. What is known is that the fire broke out in one of the prison’s workshops, spread rapidly, and began filling cells with smoke. Head prison guard Blas Gaona Acosta began opening cells and evacuating the 130 inmates being held in that wing of the prison. Gaona and five inmates then attempted to put out the fire but they were overcome by the smoke and soon perished.

The fire was brought under control by firefighters a few hours later. The post-incident controversy swiftly ensued. Judge Ana María Llanes was the first to blame the government for the fatalities. Llanes said that the deaths were the result of the “indolence, negligence, and unwillingness” by the authorities, in particular the justice ministry, to tackle the overcrowding and infrastructure deficiencies that have long affected Tacumbú. “They are responsible for maintaining the penitentiary in the condition it is in...the prison system, and prison’s policy is the responsibility of the justice ministry. [And] they are responsible for not providing even the minimum conditions,” Llanes said, noting that the judiciary has long pointed out that the conditions in which inmates are kept not just in Tacumbú, which houses 46% of the prison population, but across the country, is deplorable and an affront to their rights.

Llanes did not stop there. She complained that the justice ministry has a monthly G\$4bn (US\$706,000) budget to spend on maintaining the country’s prisons but that it was “not clear where all this money is going”. She also directly accused Justice Minister Carla Bacigalupo of “not doing anything” to improve the state of the country’s prisons since her appointment in January [WR-16-02]. “To close down a prison is not the solution...someone needs to assume responsibility, have the will to change things...they say they have no resources but they have always said that. No action is ever taken, no restruc-

Argentina becomes Pacific Alliance observer

On 8 June the Pacific Alliance trade bloc comprising Chile, Colombia, Mexico, and Peru accepted Argentina as an observer nation following a request submitted by the government led by President Mauricio Macri. According to Chile's foreign ministry, Macri will attend the next Pacific Alliance leaders' summit, to be held in Chile on 1 July, as a guest to celebrate Argentina's adhesion to the group. The Macri administration's decision to reach out to the Pacific Alliance represents a clear break with the policies pursued by his predecessor Cristina Fernández (2007-2015), which sought to strengthen intraregional trade within the Southern Common Market (Mercosur) and saw the Pacific Alliance as a threat.

turing," Llanes said, further criticising Bacigalupo's suggestion that Tacumbú would have to be temporarily closed to in order to undergo a major overhaul.

While Bacigalupo conceded that there was "a terrible degree of overcrowding in Paraguay's prisons" she did not directly respond to Llanes herself. Instead her deputy minister, Raúl Caballero, defended the government's efforts to help improve the national prison system. Caballero said that since assuming office in 2013 the government led by President Horacio Cartes has invested G\$25bn (US\$4.4m) in developing prison infrastructure so as to create 2,000 new prison cells in prisons around the country to reduce overcrowding at Tacumbú and in other prisons.

The problem for the government is that this it said much the same back in 2014 when the issue of overcrowding at Tacumbú last came into the spotlight following a strike by prison guards that led to a violent riot by inmates. Back then the local press noted that while Tacumbú was originally built to house 1,500 inmates, it currently holds 4,000; and the government promised to adopt immediate measures to alleviate the situation. But it appears that these measures, such as expediting the prosecution of those held in remand awaiting trial, have so far made little difference. In another sign of the mounting political pressure, national legislators have floated the idea of summoning Bacigalupo to provide explanations.

ARGENTINA | POLITICS & ECONOMY

Macri starting to struggle after six months

The traditional honeymoon period is over for President Mauricio Macri. An opinion poll released on 12 June to mark Macri's first six months in office found that public support for the president and his centre-right coalition government Cambiemos is declining. The effects of the tough economic adjustment plan that the Macri government has implemented in order to tackle the macroeconomic imbalances inherited from the administration of his predecessor Cristina Fernández (2007-2015) has taken a toll. This should provide encouragement to the main opposition Partido Justicialista (PJ, Peronists) as it tries to rebuild itself after losing the presidency last year.

The national poll carried out by private consultancy firm Ibarómetro between 5 and 8 June, found that while President Macri's approval rating remains high, it has fallen over the last six months. Macri's approval rating in June stands at 51.4%, 14 percentage points lower than his approval rating when he first assumed office (and incidentally almost identical to the 51.34% with which he won election in last November's presidential run-off). Meanwhile, Macri's disapproval rating over this period has increased by 19.8 percentage points to 42.1%. While the proportion of people that approve of Macri still constitutes a majority, there has been a marked downward trend and this trend looks set to continue in the short term.

According to Ibarómetro, the fall in Macri's approval rating is primarily explained by the negative perceptions about the domestic economy, which continues to exhibit flat growth and high inflation as a result of the economic adjustment. Indeed 72.1% of respondents said that the country's economic situation was 'bad' or 'very bad'; while only 22.9% felt that the economic situation was 'good' or 'very good'. And while one in two respondents believe that the situation will improve in the future, the majority (53.8%) have a negative view about their short-term economic prospects.

This is an issue for the Macri administration because it has insisted that while the adjustment may be painful, its effects will only be temporary, with benefits starting to be felt "in the second half" of 2016. Macri has said that the economic policy measures would not only lead to inflation coming down to

Peronists claim electoral victory

Highlighting the change in mood towards the ruling Cambiemos coalition, just two days after President Macri completed six months in office, on 12 June, the PJ obtained a symbolic victory in the municipal by-election in the city of Río Cuarto, Córdoba province. The consensus PJ candidate handily defeated his rival from the centre-left Unión Cívica Radical (UCR), the main partner in Cambiemos, in what has traditionally been a UCR bastion. This is the first electoral victory claimed by the PJ since it lost the presidency last year. And it is even more significant when considered that Macri campaigned for the UCR candidate. The result was celebrated by the PJ as a “harbinger of what will surely be a great Peronist victory in next year’s mid-term elections”.

more acceptable levels but also to the creation of jobs as investors flock back to Argentina. But at the midway point of the year, there is still little sign of this. Pointedly, while 50% of Ibarómetro respondents recognised that the current adverse domestic scenario had been inherited from the Fernández administration, 45% said that they believed that such a deep adjustment, including highly unpopular increases in utility tariffs and mass lay-offs of government workers, could have been avoided and a more gradual approach adopted instead.

This sentiment is what the opposition, and in particular the hard-line Frente para la Victoria (FPV, Kirchneristas) faction of the PJ, is keen to seize upon (see *sidebar*). To mark the six months since it lost the presidency, the FPV issued a statement criticising Macri for “hiding undeniable truths and promising imminent improvements, when the crude consequences of an adjustment, which particularly affects poorer sectors, are becoming more visible”. The FPV and the wider PJ are clearly hoping that dissatisfaction with the Macri administration will continue to increase over the next few months so that it can profit from it in next year’s mid-term federal legislative elections, in which the PJ will be looking to consolidate its dominant presence in the national legislature.

CHILE | POLITICS

Burgos bails as Bachelet hits rock bottom

President Michelle Bachelet has moved quickly to try and defuse a crisis in her government after the interior minister and cabinet chief, Jorge Burgos, resigned. Bachelet immediately appointed Chile’s ambassador to Uruguay, Mario Fernández Baeza, to fill the position vacated by Burgos. Both men are members of Democracia Cristiana (DC), the largest and most centrist party in the ruling left-wing Nueva Mayoría coalition. The right-wing opposition coalition Chile Vamos pounced on the departure of Burgos as evidence that the Nueva Mayoría was on the verge of collapse. While this is a major overstatement, Bachelet’s approval rating has hit a new low, heightening tension within her disparate coalition.

Burgos ostensibly left for health reasons but he had essentially been sidelined by President Bachelet since he assumed the position on 11 May 2015 during a cabinet reshuffle designed to regain the initiative in the wake of a series of damaging corruption scandals. Despite holding what ought to be the most important position in the cabinet, Burgos found himself isolated and playing a largely ceremonial role with minimal influence over decision-making. The most overt snub was Bachelet’s decision not to inform Burgos of her visit to the troubled southern region of Araucanía last December. But there were numerous episodes when Burgos was left out of the loop or Bachelet consulted more junior, politically aligned, officials instead, most recently when she chose to take legal action against the magazine *Qué pasa* for defamation [[WR-16-22](#)].

José Miguel Insulza, a political bigwig in the Nueva Mayoría, conceded that the ruling coalition was “shooting itself in the foot” and doing a better job of providing opposition to the government than the official opposition, “attacking ministers instead of attacking the Right”. Insulza was referring to the calls from within the Nueva Mayoría for the minister secretary general of the presidency, Nicolás Eyzaguirre, to follow Burgos out of the cabinet. It is also worth noting that Deputy Osvaldo Andrade, the president of the lower chamber of congress and until recently spokesman for Bachelet’s Partido Socialista (PS), recently challenged the anti-crime legislation driven by Burgos on constitutional grounds before the constitutional tribunal. Andrade said that empowering police to carry out preventive identity

Mario Fernández Baeza

Mario Fernández is a veteran politician, who served as defence minister and minister secretary general of the presidency in the government of former president Ricardo Lagos (2000-2006), and a conservative lawyer who, as a member of the constitutional tribunal, opposed the handing out of the morning after pill at doctors' surgeries. The big question is whether Fernández will be permitted to exercise the powers that come with the post of cabinet chief. He faced a challenging start with violence breaking out during student protests in Santiago on 9 June. Hooded individuals desecrated the Iglesia de la Gracía Nacional in the capital, making off with some of the iconography. In the ensuing days there were further protests by students over their lack of involvement in the government's education reform.

checks violated the rule of law. This exposed the tensions between the constituent parties in the Nueva Mayoría.

The appointment of the moderate Burgos had been interpreted as a sign that the government was going to water down some of its more radical and controversial reform agenda. It was consonant with Bachelet's professed promise to embark on a new era of "realism without resignation". But, this did not materialise. In practice Burgos was given little authority, and his appointment now looks like an attempt by Bachelet to silence critics, gaining time to advance these initiatives rather than altering course.

In spite of the infighting in the ruling coalition, the predictions of its imminent demise by senior members of Chile Vamos are exaggerated. Deputy Juan Antonio Coloma of the ultra-conservative Unión Demócrata Independiente (UDI) said it heralded the "collapse of Nueva Mayoría"; the UDI president, Hernán Larraín, that it was "terminally ill". Larraín did make a pertinent point though: "this is one of so many critical moments for the Nueva Mayoría, of which more will probably follow; clearly the reasons for Burgos's departure are political and behind them is a lack of coordination". Cristián Monckeberg, the president of the UDI's junior coalition partner Renovación Nacional (RN), said Burgos's resignation spelt "the defeat for common sense, moderation and Democracia Cristiana". Fernández will have his work cut out disproving this claim (*see sidebar*).

TRACKING TRENDS

ARGENTINA | Grain exports. On 12 June Argentina's agriculture ministry announced that the volume of the country's wheat exports reached 5.6m tonnes (t) in the first half of 2016, 115% more than the same period in 2015. According to the press release, wheat exports reached a total of only 4.2m t in the whole of 2015, with 2.6m t exported in the first six months of the year. The agriculture ministry also highlighted the expansion of wheat planting during the current growing season by 1m hectares (ha). This means that for the 2016-2017 harvest cycle, the government expects the planted area to increase by another 1m ha to reach a total of 5.3m ha thanks to the investment of Ar\$5bn (US\$362m) in the wheat industry.

In the statement, the agriculture ministry cited the government's removal of wheat export duties and restrictions imposed by the previous administration led by former president Cristina Fernández (2007-2015). The lifting of the restrictions allowed Argentine wheat exporters to resume sales to international markets such as Brazil, Egypt, and south-east Asia. The recovery of these international markets and the large export volumes is good news for the government led by President Mauricio Macri, as it will translate into increased tax revenues that it can use to shore up its finances and provide it with more resources to plough back into the domestic economy to stimulate growth. On 9 June Interior Minister Rogelio Frigerio pointedly announced that the government is planning to invest 6% of GDP per year in infrastructure in the next four years to help boost the domestic economy. According to Frigerio this will be achieved with the participation of the private sector, adding that the investment will provide a "growth with the creation of genuine and quality jobs".

Since coming to power last year, the Macri administration has promised more transparency in public works to reduce corruption and has presented a number of investment projects. These include a US\$15bn project to improve access to drinking water and sanitation, a US\$9bn project for adaptation to climate change, a US\$1.6bn project aimed at flood prevention, and a US\$1.2bn irrigation development project. According to the government, these initiatives are expected to create 200,000 new jobs. The government has also planned the building of 200,000 new homes through the investment of US\$7bn between 2016 and 2019 and the construction of 2,800km of new roads, which will require an investment of Ar\$200bn (US\$14.5bn) and will generate 35,000 new jobs.

Ortega resorts to familiar tactics

Days after President Daniel Ortega formally launched his presidential re-election bid for the Frente Sandinista de Liberación Nacional (FSLN) on 4 June ahead of November's general elections, the FSLN-controlled supreme court (CSJ) issued a ruling stripping Eduardo Montealegre of the leadership of the Partido Liberal Independiente (PLI), the main party in the Coalición Nacional por la Democracia (CND) opposition coalition. The ruling, which comes on the heels of Ortega's refusal to allow international observers to oversee the vote [WR-16-20], has triggered fresh democracy concerns ahead of the election.

On 8 June CSJ magistrate Francisco Rosales told reporters that the court, which was ruling on a dispute dating back to 2011 between various PLI factions, had determined that the party's leader is in fact Pedro Reyes Vallejos – who had headed up one of the rival factions. The CSJ ruling also stipulates that the PLI must hold a party convention as soon as possible in order to reinstate Vallejo as its leader. This has prompted some uncertainty as to whether recent decisions taken by the PLI – such as the election of national deputy Luis Roberto Callejas as the CND's presidential candidate and Violeta Granera, the leader of the civil-society grouping Movimiento por Nicaragua (MpN), as his running mate – will stand.

With the most recent pre-electoral surveys already showing the PLI trailing far behind the FSLN [WR-16-20], the move against Montealegre has prompted an outspoken response from various sectors. The president of the human-rights group Centro Nicaragüense de Derechos Humanos (Cenidh), Vilma Núñez, said that it laid bare the “shameless subjection of the CSJ magistrates [to Ortega]”. José Adán Aguerri, the president of the main private-sector lobby, Consejo Superior de la Empresa Privada (Cosep), warned that the move could generate “instability”, with repercussions from multilateral institutions while Roberto Sansón, who heads up the American-Nicaraguan Chamber of Commerce (Amcham), said that it undermined “the credibility of the [electoral] process” and “leaves an atmosphere of uncertainty in the country which we don't need”.

On the campaign trail

President Ortega has announced the inclusion of the ‘Cota 100’ irrigation project, a new ‘mega project’, in his 2017-2022 government plan. The announcement regarding the initiative, which aims to bring drinking water to communities along the coast of Lake Cocibolca and was first floated in the 1970s under the Somoza dictatorship (1936-1979), was met with scepticism by local commentators who point to the failure of other major infrastructure projects to materialise. These include the US\$6.6bn ‘El Supremo Sueño de Bolívar’ oil refinery, first agreed with Venezuela in 2007, after Nicaragua joined the Venezuela-led regional bloc, Alianza Bolivariana para los Pueblos de Nuestra América (Alba); and the US\$1.1bn Tumarín hydroelectric dam, Nicaragua's biggest ever energy project which was due to be constructed by Brazilian firms Eletrobras and Queiroz Galvão. Doubts over both of these projects have intensified given the current economic and political woes afflicting Venezuela and Brazil. At the start of this month the investigative daily *El Confidencial* reported that Brazil's federal court of accounts (TCU) had suspended new funding to Eletrobras after discovering a number of “irregularities” in the process.

Meanwhile the official launch of the Ortega government's largest infrastructure project – the US\$50bn ‘Gran Canal’ linking the Caribbean and Pacific coasts – has been postponed until the end of 2016.

US concern

The FSLN government's refusal to allow international observers to oversee November's general elections has prompted a response from the US. In a daily press briefing on 19 May US State Department spokesperson John Kirby said “As we've said and made clear, allowing internationally recognized election observers to freely monitor elections will only strengthen Nicaragua. We urge the Nicaraguan Government to issue a timely invitation to credible international observation missions.” In a 7 June statement, the US-based Carter Center, which has observed four elections in Nicaragua between 1990 and 2006, “lament[ed] this decision to ignore a key component of Nicaragua's own electoral law”, describing it as “an attack on the international community”.

POSTSCRIPT

Quotes of the week

“It makes you fed up to work so hard to collect taxes only for someone to steal or make poor use of the resources.”

The head of Mexico's tax and customs authority (SAT), Aristóteles Núñez.

“If they meet the requirements, the recall referendum will take place next year. If they don't meet the requirements, there will be no recall referendum full stop.”

Venezuela's President Nicolás Maduro lays down the law.

“There were certain unfortunate things said on both sides...Peru cannot live in hatred we have to live in reconciliation.”

Peru's incoming economy minister Alfredo Thorne seeks to mend fences with the Fujimorista Fuerza Popular.

Colombia's congress shields future peace accords

Colombia's congress has approved legislation granting constitutional status to an eventual peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc). The senate and lower chamber voted overwhelmingly this week to adopt an agreement between the government and Farc negotiating teams struck on 12 May designed to prevent future governments from annulling what is being painstakingly negotiated in Cuba. This will only take effect after the final accord is approved in a popular referendum, the precise nature of which is yet to be defined.

The legislation approved by congress confers 'special agreement' status on a final accord with the Farc, ensuring its compliance with article 3 of the 1949 Geneva conventions regulating international humanitarian law. Senator Alvaro Uribe (former president 2002-2010), the most prominent critic of the peace talks and leader of the main right-wing opposition Centro Democrático (CD), condemned the outcome of the congressional vote as "a coup against Colombian democracy".

The final say will come from the constitutional court but in the meantime the debate moves onto the referendum that would enshrine this law in the constitution. Last week Uribe began a campaign in the city of Medellín to collect signatures to oppose a peace deal, which will extend until 4 August. The signature-gathering drive, dubbed 'for the peace that we want', seeks support for 'civil resistance' which Uribe has called for in the event of a final peace accord emerging from Cuba.

"If Colombians are asked if they want peace, everyone will say 'yes', but if the public is asked 'do you accept that in the Havana accord those responsible for kidnapping minors, raping children and drug-trafficking, do not go to prison but are elected? Many would have to say 'we want peace but we don't accept this impunity because it will generate more violence'", Uribe said, speaking in Medellín. For his part, President Juan Manuel Santos has dismissed Uribe's coup claims as "absurd" and insisted that the Farc is "submitting to our constitution and our laws".

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