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Peru's Kuczynski unveils cabinet: strong on expertise, weak on politics?

Peru's president-elect Pedro Pablo Kuczynski, who takes office on 28 July, has announced his ministerial team. Kuczynski has maintained a studied silence about his cabinet since narrowly winning the second round of presidential elections against Keiko Fujimori on 5 June. When he finally revealed his cabinet it contained an impressive collection of experts with ample experience in economics and business. There are, however, very few politicians in the line-up, and this could pose a problem. While Kuczynski now has his team in place, the nature of the political deal that needs to be done in congress that will enable it to do its work is unclear.

Kuczynski is upbeat about his 19-strong ministerial team. "It is an all-star cabinet, the best people from all over Peru. What the country wants is capable, professional people, and this cabinet has it," Kuczynski told reporters on 17 July. The cabinet contains no less than six economists and two business leaders. There are also three lawyers, three engineers, and three sociologists. Many, like Kuczynski himself, have years of specialised experience. Five of the 19 are women.

The prime ministerial role goes to Fernando Zavala, a former economy and finance minister (2005-2006), who has also been active in business, as a senior executive at one of the largest companies in Peru, the brewery Unión de Cervecerías Peruanas Backus y Johnston, and in other roles, including as a director of Interbank, the financial services company, and Enersur, the second largest private power generation firm in Peru [[WR-16-27](#)]. Kuczynski described Zavala as "a person with deep knowledge of what happens in Peru, of how public administration works, which is very important because if you do not know how public administration works, you cannot make it work".

The economy and finance ministry goes to Alfredo Thorne, an Oxford-educated economist and banker who worked at JP Morgan. The long-serving and widely respected central bank president Julio Valverde has agreed to serve another term, a development that is likely to go down well with the business and investor community.

Gonzalo Tamayo, another economist with 20 years of experience working in infrastructure, electricity and energy projects (including a spell as head of the telecoms regulator Osiptel) takes over the key energy and mines ministry. Carlos Basombrío, a sociologist from the Pontificia Universidad Católica del Perú, is the new interior minister, who will be responsible for trying to engineer a reduction in the crime rate, which is the main public concern expressed in opinion surveys.

The defence ministry goes to a lawyer, Mariano González; Ricardo Luna, a former ambassador to the US and the United Nations (UN), becomes the

Opposition unimpressed

Leaders of the left-wing Frente Amplio (FA) have remarked pointedly that the new ministerial team lacks ideological diversity; they believe it shows a government that will ultimately lean to the right with Fuerza Popular (FP). The *fujimoristas*, meanwhile, have pronounced themselves unimpressed with the appointment of Carlos Basombrío as interior minister, arguing that his time as a deputy interior minister between 2001 and 2004 associates him with unsuccessful anti-crime policies of the past.

new foreign minister; and Elsa Galarza, another economist, picks up the environment ministry. The transportation and communications ministry will come under the brief of Vice-President Martín Vizcarra, while Jaime Saavedra retains the education portfolio, the only minister from the current government of President Ollanta Humala who will stay in place under the new administration. The other appointees are similarly well qualified.

Actual politicians are conspicuous by their absence. Kuczynski's own party, Peruanos Por el Cambio (PPK), has minimal representation. The new justice minister, Marisol Pérez, is a member of the conservative Partido Popular Cristiano (PPC), but the vast majority of ministers are not overtly party-political appointees. While this has some advantages, a technocratic cabinet can be too obsessed with setting goals and meeting targets, lacking the common touch or the ability to change tack, one of the problems that have beset the technocrat-heavy government of Mexico's President Enrique Peña Nieto. Kuczynski's cabinet may also lack important communication channels with a legislature where the government will control only 18 out of 130 seats.

To enact new laws the incoming government will need to do deals with the largest bloc in congress: the right-wing Fuerza Popular (FP), of Kuczynski's defeated rival Keiko Fujimori, which has 73 seats. The only other party with a congressional presence of any significance is the left-wing Frente Amplio (FA), led by Verónica Mendoza, with 20 seats, which has far less in common with Kuczynski. In theory, the liaison role falls to Zavala, and he has pronounced himself "satisfied" after a first round of talks with the other parties, where he said he set out the new government's priorities: "public safety and anti-corruption; how to make Peru's GDP grow by 5%; creating jobs and opportunities; and how to bring the state closer to citizens".

Ominously, since the closely fought election campaign there has been no meeting between Kuczynski and Fujimori (despite the former's requests). Kuczynski's call for a march on congress by residents of La Oroya, in the central region of Junín, to revive the Doe Run mining complex (hit by an environmental dispute and the bankruptcy of the US-owned operating company) seems to have irritated both the FP and the FA (*see sidebar*). From their different right and left-wing perspectives both parties have been critical of "big mining" and are suspicious of Kuczynski's motivation in trying to re-float the Doe Run complex.

Kuczynski's cabinet

Prime Minister *Fernando Zavala*
Economy and finance *Alfredo Thorne*
Energy and mines *Gonzalo Tamayo*
Interior *Carlos Basombrío*
Defence *Mariano González*
Foreign affairs *Ricardo Luna*
Environment *Elsa Galarza*
Transportation and communications *Vice-President Martín Vizcarra*
Education *Jaime Saavedra*
Health *Patricia García*
Justice and human rights *Marisol Pérez*
Foreign trade and tourism *Eduardo Ferreyros*
Labour and job promotion *Alfonso Grados Carraro*
Agriculture *José Manuel Hernández*
Production *Bruno Giuffra*
Housing and construction *Edmer Trujillo*
Women and vulnerable populations *Ana María Romero*
Culture *Jorge Nieto Montesinos*
Development and social inclusion *Cayetana Aljovín*

Getting ready for referendum on peace

Following endorsement by the Colombian constitutional court on 18 July, it is now likely that there will be a referendum on whether to accept or reject the government's final peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas within the next two to three months – possibly, according to a government minister, at the end of September. The news is intensifying the pace of Colombian politics: more than one politician is now thinking about the next presidential elections, which are not due until 2018.

Uribe refuses to play ball

Perhaps the most dramatic recent incident in Colombia's peace process took place not in Colombia itself, or even in Cuba where the negotiations are taking place, but rather in a restaurant in Rome. If a report in the local television news programme *Noticiero CM&* is accurate, this week a senior Colombian diplomat spent various hours waiting outside the restaurant attempting to hand-deliver a letter from President Juan Manuel Santos to his predecessor and main detractor, former President (now Senator) Alvaro Uribe (2002-2010), who happened to be dining there. Uribe apparently left through the kitchens at the back of the restaurant, in order to avoid officially having taken receipt of the missive from Santos.

The letter, later made public by Santos, was an appeal to Uribe to join a dialogue on the proposed final peace accord with the Farc guerrillas, and an invitation for the two men "to work together to build a better country". Having avoided any private communication, Uribe was able to respond with an outright public rejection: "a dialogue to discuss what has already been decided is useless" he shot back.

Uribe and his party, the right-wing opposition Centro Democrático (CD), have been bitterly opposed to the peace negotiations since the outset. They maintain that the government has been weak and has reached a settlement with the Farc which will grant many of its leaders impunity from prosecution for murder, rape, and other serious crimes and allow them to take up a career in politics (*see sidebar*).

With the referendum now endorsed by the constitutional court, and with Uribe dismissing any rapprochement, the scene seems set for a big political clash between the two forces of *uribismo* and *santismo*. Setting the tone, Uribe's response to Santos went on to say, "When crime reigns supreme, peace and reconciliation risk being insincere; peace without justice risks not being peace at all."

Referendum before October?

The constitutional court has upheld the terms of an earlier bill that sets out the way in which the referendum will work. According to the post-conflict minister, Rafael Pardo, of the Partido Liberal (PL, one of the mainstays in the ruling Unidad Nacional coalition) if a final peace deal is signed with the Farc in August, it is possible that the referendum could be held as early as late September.

The referendum will consist of a single yes-no question. The exact text has yet to be finalised, but voters will be asked to vote 'yes' to ratify the final peace accord or 'no' to reject it. To be valid, at least 13% of Colombia's 33m registered voters will have to take part, which is the equivalent of around 4.3m votes. This will not be difficult to muster.

Transitional justice

The Colombian government concedes that transitional justice arrangements contained within the peace accord allow reduced sentences for those who admit their guilt, but it counters that those who hold out on divulging the truth could face sentences of up to 20 years in prison.

Iván Duque Márquez

Senator Iván Duque Márquez is best known for the so-called 'Ley Naranja', a legislative initiative designed to develop, promote, incentivise and protect the creative industries based on a book he co-authored in 2015 entitled 'The Orange Economy: Innovation and political ideas in a post-crisis society'. It covers the creation of sustainable new projects in the arts, as well as the significant role played by technology and innovation in driving economic growth and social progress.

The result of the referendum will be considered binding only for the executive branch of government, not for other powers. In other words, should the 'no' vote win, Santos will be required to desist from pursuing the peace accord with the Farc. Even in that scenario, however, it is possible that congress might try and ride to his rescue, make amendments, or even approve new legislation that would give the executive some kind of limited new mandate.

Public support for peace

Most analysts expect the 'yes' vote to win, but this is far from a certainty. Over the last four years support for peace has oscillated between 55% and 65%. More recent opinion polls also show majority support for a peace deal. A survey by Centro Nacional de Consultoría in mid-July asked how respondents would vote "if the referendum were held tomorrow": 74% said they would vote 'yes' to accept the peace deal, while 26% said they would vote 'no'.

The surge in support for a 'yes' vote owes to the general public perception that, in spite of a series of setbacks over the course of the peace process in Cuba, a final accord with the Farc will now be signed; and to the specific commitment undertaken by the maximum leader of the Farc, 'Timochenko' (Rodrigo Londoño Echeverri), in early July to suspend the guerrilla group's imposition of 'extortion payments' (or 'war tax' in the Farc lexicon) on "legal economic activity" conducted by ranchers and local businesses [\[WR-16-25\]](#). This suggests that the Farc is committed to the peace process rather than solely seeking to reap the benefit from it.

More nuanced questions in opinion surveys have revealed important public reservations, however, and offer some encouragement to the *uribistas*. Surveys have consistently shown, for instance, that between 70% and 80% of respondents oppose judicial pardons for former guerrillas. In a March 2015 opinion poll, 57% said they did not want to sacrifice justice in order to achieve peace.

Uribe's challenge

As the referendum draws closer Uribe and his CD will need to define its stance. To date they have called for 'civic resistance' against the peace settlement negotiated by Santos, but they have not actually fixed a position in relation to the referendum. Most political commentators expect the CD to call either for a boycott or for a 'no' vote.

The CD is pursuing two key objectives. Firstly, as the parties within Unidad Nacional and the left-wing opposition parties, Polo Democrático Alternativo (PDA) and Alianza Verde (AV), line up with the 'yes' vote, the CD gets to position itself as the 'only bona fide opposition'. The 'yes' camp has the support of the PL, Partido de la U (PU), Cambio Radical (CR), Partido Conservador (PC), PDA and AV, as well as the radical left-wing Unión Patriótica (UP), which was first founded by the Farc back in 1985 as part of the peace negotiations with the government led by former president Belisario Betancur (1982-1986). The 'yes' camp has launched a campaign under the slogan 'La Paz Sí es Contigo' which aims to gather 10m 'yes' votes.

Secondly, the referendum could be used to lay down an important marker for the next presidential and congressional elections in 2018. Gaining between 30% and 40% or more worth of 'no' votes would allow the CD to gauge its strength ahead of the next electoral contest. That will require settling upon a presidential candidate. Iván Zuluaga, the CD's candidate who lost to Santos in the second round in 2014, faces a challenge from two other contenders, Carlos Holmes Trujillo (who lost out to Zuluaga in the party's first internal primary elections that year) and Senator Iván Duque Márquez (*see sidebar*).

IMF cuts Venezuela forecast again

The International Monetary Fund (IMF) now expects

Venezuela's GDP to contract by 10% year on year in 2016, with forecast inflation of over 700%.

"Venezuela's economic condition continues to deteriorate, as policy distortions and fiscal imbalances remain unaddressed," noted Alejandro Werner, the Fund's Western Hemisphere director.

Werner added that the Fund had yet to revise its 2017 forecast (for a GDP contraction of 4.5%), because "there is a lot of uncertainty to make forecasts beyond a few months in Venezuela." The IMF's latest forecast is in line with that of the World Bank, which recently revised down its 2016 forecast to -10.1%.

Henry Ramos Allup ups the ante against TSJ

Venezuela's main opposition coalition, Mesa de la Unidad Democrática (MUD), says it intends to denounce the country's supreme court of justice (TSJ) before the main hemispheric Organization of American States (OAS) and other international organisations.

Henry Ramos Allup, the president of Venezuela's opposition-controlled national assembly (AN), on 20 July declared the TSJ to be a "law firm" for the executive led by President Nicolás Maduro, noting that the TSJ had issued 17 straight decisions against the new assembly since it first sat on 5 January last.

The latest TSJ ruling was a move to annul a 14 July AN session that had voted to strip 13 new TSJ justices (and 21 alternates) of their mandates. The 13 (of a 32-strong court bench) were appointed at the last minute by the previous, government-controlled, assembly on 23 December last year, which MUD deputies found illegal on various grounds, including administrative errors and the unsuitability of candidates (some of whom apparently lacked relevant judicial experience). The TSJ seven days later declared the 14 July session null and void, "invalid of all validity". Rejecting the TSJ ruling, Ramos reiterated that the assembly was studying the appointment of 13 justices of its own, which, potentially, could threaten a parallel supreme court down the line.

Ratcheting up his stance, Ramos also pledged to reinstate on 21 July three MUD deputies that the TSJ had ordered removed in January (on the grounds of electoral irregularities). That move would restore the MUD's two-thirds majority in the assembly, giving the opposition considerable powers to challenge both the executive and the pliant judiciary.

Indicative of the government concern about that prospect, Diosdado Cabello, the previous AN president and now leader of the Partido Socialista Unido de Venezuela (PSUV) bench, warned that the three MUD deputies would end up in jail if reinstated. "This assembly does not have the authority to remove a judge, much less reinstate those deputies," he declared, adding: "If these deputies accept their restitution, they will probably [also] end up in jail. You people do not have parliamentary immunity. We will see who remembers you after a month in jail."

Romel Guzman, one of the three MUD deputies concerned, retorted: "We will be sworn in on Thursday, and if they arrest us, they'll have to arrest all the opposition deputies". In reference to the TSJ he added, "if the court continues with its campaign against the assembly, we'll take a stronger stance. We will look for friends in the international community."

The row over the reinstatement of the three deputies could push Venezuela's institutional crisis closer to the edge, with concern that President Maduro could opt to follow through on his threats, issued on more than one occasion this year, to shutter or 'abolish' the assembly altogether, for which - presumably - he would secure a legal shield from the TSJ.

TSJ also shields BCV

In a separate ruling dated 20 July, the TSJ also determined that Venezuela's central bank (BCV) would take on new external debt without prior AN approval, arguing that the BCV was an autonomous legal entity whose independence would be compromised by having to seek AN approval for its actions. The TSJ reinforced its argument by noting the state of economic emergency in place in the country. The BCV, whose international reserves hit a new low of just US\$11.8bn on 19 July, reportedly is seeking emergency liquidity financing from the Latin American Reserve Fund (FLAR).

No more shopping sprees

Colombia's Foreign Minister Maria Angela Holguín said that Colombia would not allow any more temporary openings of the border with Venezuela and would instead work with the Venezuelan government to secure the permanent re-opening of the frontier, which was unilaterally closed by Venezuela in August 2015 on security grounds. "We have taken the decision that there will not be another session like the ones over the past two weekends. We will work for the opening, the next opening, to be definitive." An estimated 167,000 Venezuelans crossed into the Colombian border town of Cúcuta in search of provisions the weekend of 16-17 July.

No to dialogue, no to referendum

Despite vocal pressure from the US government, the European Union and others, the fate of the Venezuelan opposition's push for a presidential recall referendum this year looks fainter by the day.

From the point of view of the main opposition coalition, Mesa de la Unidad Democrática (MUD), the referendum needs to take place before mid January 2017, so that, if successful, the president would step down and fresh elections be held. Beyond that date, if recalled, the president would be replaced by his number two, who would see out the final two years of the current term to late 2018, without the need for elections. With the backing of the executive led by President Nicolás Maduro, the national electoral council (CNE) has thrown a series of spurious bureaucratic obstacles in the way of the MUD's efforts, clearly in an effort to delay and/or impede altogether the process.

However, several MUD members including Henrique Capriles Radonski this week *Tweeted* documents, purportedly from the CNE, confirming the final validation of nearly 400,000 of the almost 2m signatures submitted (on 2 May) by the MUD in petition for a referendum. That is almost twice the required number (197,000, or 1% of the registered electorate) to petition a referendum.

Once the petition phase is complete (CNE validation was supposed to be completed in five working days), the next phase requires the MUD to collect the signatures of 20% of the electorate (some 3.7m) to formally request a referendum. Once those signatures are validated, the CNE should organise a referendum within 30 days. If a recall vote were held and approved before mid January, the CNE would then be obliged to stage a fresh presidential election (again within 30 days).

However, the CNE has yet to confirm that it has, in fact, completed the first phase, and one hard-line CNE rector already has suggested that completion of the first phase does not automatically require the CNE to move onto the second. The ruling Partido Socialista Unido de Venezuela (PSUV) also has lodged a complaint with the supreme court (TSJ) alleging that the MUD committed signature fraud in the initial phase. This has prompted concern that the pliant TSJ, stuffed with government supporters, could move to invalidate or even throw out the first phase altogether.

Diosdado Cabello, PSUV number two, has forcefully repeated that "there will be no referendum this year". "They [the MUD] say there will be no dialogue without a referendum, well there won't be dialogue, because there is not going to be a referendum this year, that I can guarantee, and at this rate, not next year either".

"What is going to be the cost if this country does not obtain a peaceful, electoral solution to the crisis?" Capriles demanded. "A social explosion would be worse. No one wants that, but people's patience has a limit." Capriles maintains that it is completely possible to hold a referendum by late October or early November.

Opposition Deputy Delsa Solórzano said that the MUD had received complaints from over 1,000 public sector workers claiming to have lost their jobs after signing in support of the recall referendum. Concern about voting secrecy in Venezuela is deep and dates back to the Tascón list (2003-2004), when the names of millions of Venezuelans that had signed a recall referendum petition against President Hugo Chávez (1999-2003) were made public, after which the Chavista government was accused of actively discriminating against public sector workers on the list.

Correa looks for the bright side

In revealing Ecuador's latest economic growth figures, President Rafael Correa was frank about how negative the results were but nonetheless sought to look on the positive side. He admitted that the 2016 first quarter results were the worst of the decade and this was the first "decreasing growth" figure registered since the Ecuador dollarized its economy in 2001. However, he added that "although almost everything has happened to us, with a little luck we will still have positive growth in 2016".

TRACKING TRENDS

ECUADOR | Negative growth. On 17 July Ecuador's President Rafael Correa admitted that the country's economy has tipped into recession. Economic growth in the first quarter of the year was -3.0% year-on-year on central bank (BCE) figures. This represents a sharp decrease compared to the 3.2% growth registered in the first quarter of 2015 and shows just how much Ecuador's economy has suffered as a result of persistently low international oil prices. Since then, the country posted -1% growth in the third quarter of 2015 and -1.2% growth in the fourth quarter of 2015. Remarking on these disappointing results during an event in Tena, a town in Napo province, Correa said: "Ecuador has had three consecutive quarters of negative growth, which definitely means an economic recession". Correa went on to say that he expected the negative trend to continue in the second quarter, as Ecuador continues to recover from the devastating earthquake that hit the country in April, producing an estimated US\$3bn in damages. The economic slowdown has affected various sectors but not all. According to the BCE figures, there was a contraction in the hotel & food services (-13.2%); communications (-7.8%); shrimping (-6.7%); and construction (-4.4%). On other hand there was positive growth in oil refining (61.6%); fishing (5.5%); and electricity & water (4.5%) which all showed more activity than in 2015. This led the BCE to conclude that the economy had reached "a turning point" and would start showing signs of a recovery in coming months. Thus the BCE maintained its forecast of year-end growth of 0.3%. However, this recovery will still depend on whether there is a rebound in oil prices. The BCE figures show that Ecuador exported almost more oil in the first quarter of 2016 than in the whole of 2015 but received less income. In 2015 the country exported 416,000 barrels of oil per day (bpd), valued at US\$6.35bn (when the average price of oil was US\$41.88 per barrel). Meanwhile from January to May 2016, Ecuador exported 382,000bpd which was valued at US\$1.67bn (at an average price of US\$28.73 per barrel). On the other hand, the strengthening of the US dollar has made Ecuador's exports increasingly expensive.

PERU | Positive growth streak continues. On 17 July Peru's national statistics institute (Inei) reported that the domestic economy grew by 4.88% in May, completing 82 consecutive months of positive economic growth. The May result also brought the accumulated growth rate for the year to 4.10% and to 4.02% in the rolling 12-month period to May. Inei director, Aníbal Sánchez, said that growth in the first quarter was primarily driven by the mining & hydrocarbon sector, which registered a 33.24% increase in activity, the sector's highest result for the past 14 and a half years. Sánchez said that this was driven by a 31.18% increase in exports of copper, zinc, tin, oil and natural gas. Sánchez also reported an increase in activity in the telecommunications sector (9.15%), as well as in construction (5.55%). In contrast the sectors that registered a significant fall in activity were fishing (-66.98%) and manufacturing (-7.52%). Still, the overall growth suggests that Peru's domestic economy is continuing to recover from the slowdown it has been experiencing since mid-2014.

VENEZUELA | Plummeting auto production. Private automobile production in Venezuela fell by 85.8% in the first six months of 2016, compared with the same period in 2015, Venezuela's automobile producers' association (Cavenez) reported on 18 July. According to Cavenez's monthly report, from January to June 1,550 vehicles were assembled in Venezuela, far short of the 10,922 assembled in the comparable period last year. US auto-maker Ford heads the list of major vehicle producers, followed by Mack, Iveco, General Motors, and Toyota (whose production was totally paralysed during the period). According to industry representatives, Venezuela's automobile sector has a production capacity of 250,000 vehicles per year. However, the sector has suffered from a lack of US dollars; a lack of local credit facilities, which has led local manufacturers to amass large debts; and a lack of supply of locally produced auto-parts.

New speaker Maia gets to work

While the federal lower chamber of congress has now entered a short period of recess, for the purposes of preparing for the municipal elections in October, its new speaker, Rodrigo Maia, from the Democratas (DEM) party, has been setting out his plans for the months ahead. With a mandate only six months long, Maia is keen to make his mark on several issues, including securing limits on spending, reforming social security and pensions, and accelerating anti-corruption measures.

Since the start of the protests against suspended president Dilma Rousseff, at the very beginning of her second mandate in early 2015, a group of anti-corruption activists have been promoting a 10-point agenda to improve the quality and transparency of Brazil's governance. (It is, however, important to note, that many of those theoretically engaged in an anti-corruption crusade against the Partido dos Trabalhadores [PT] have been subsequently caught up in police investigations over missing public funds).

In a meeting with representatives of the judiciary and the public ministry, the body of independent public prosecutors, Maia said that he wishes to see a raft of anti-corruption measures approved by congress by 9 December, the so-called 'Day of Combating Corruption'. "As representatives of society, we have to move closer to those who put together this text and supported it. This is a priority," Maia said. "Overcoming the crisis is not just about improving the economy, but about restoring control [over public funds] and securing the punishment of those who have committed illicit acts."

A timetable for discussing the various elements of the anti-corruption bills will be put forward to congress in August. For some of those involved in the talks on 19 July, the priority is to discuss the idea of "privileged forum". This is the measure that ensures that serving politicians can only be judged by the supreme court. As the court is massively backlogged with cases, the practical result of this is that many politicians remain unprosecuted for years, if at all. Passing such a measure in the federal lower chamber of congress, where around 60% of members face serious criminal charges, could prove a tall order.

Before this reaches the lower chamber, Eduardo Cunha, the disgraced former speaker is likely to face a vote on whether he is stripped of his parliamentary mandate in the second week of August. There are rumours that Cunha is considering resigning to save himself the indignity of losing a vote in the chamber, which will be decided by a simple majority. Either way, the punishment would be the same: he would lose his political rights for eight years, and face trial on corruption charges by a federal court, probably that presided over by Judge Sérgio Moro, the lead prosecutor in 'Operation Car Wash', the investigation into corruption involving the state-run oil company Petrobras. Rousseff is likely to face the final vote on her impeachment in the federal senate at the end of August.

Datafolha misleads

Over the weekend *Folha de São Paulo* published a poll showing that 50% of Brazilians think that it is best for the country if the interim president, Michel Temer, completes Rousseff's term, while only 3% said that they favoured new elections. This was an extremely surprising and noteworthy result given that in the last poll, back in April, almost the same number of Brazilians wanted Temer impeached as wanted Rousseff out.

WhatsApp blocked

On 19 July, Brazil's supreme court overturned an injunction issued by a lower court ordering telecoms companies to block access to the WhatsApp messaging service. This is the third such incident in seven months and resulted in significant personal and professional inconvenience for the approximately 100m WhatsApp users in Brazil. Though the ban lasted in effect for only a few hours, it is unlikely to be the last attempt by a Brazilian judge to strong-arm the messaging service, which is owned by Facebook. Notably, in this instance, Judge Daniela Barbosa de Souza demanded that WhatsApp disable its end-to-end encryption process to allow investigators access to users' data.

Enthusiasm low

A recent poll by Datafolha showed a lack of enthusiasm over the forthcoming Games, with 63% of Brazilians stating that the Olympics would “do more harm than good”. Another poll found that on the key questions of transport, security and organisation, a majority of Brazilians thought they would bring “more shame than pride”.

However, on closer inspection it turned out that the poll asked an extremely limited set of questions. In fact, those surveyed were only offered two suggestions: Rousseff stays or Temer stays. Back in April, Datafolha found that 60% of Brazilians favoured new elections, rather than either of them. This time the pollsters, apparently under the instructions of *Folha*, omitted this option (though 3% proffered the suggestion on their own) allowing for a highly skewed reading of the level of support for the interim administration, which was subsequently picked up by most Brazilian media.

BRAZIL | POLITICS & SECURITY

Security steps up a gear as Rio prepares for Games

Soldiers are already on the streets of many neighbourhoods in Rio de Janeiro, ahead of the final mobilisation of 85,000 security personnel on 24 July to guard the Olympic Games, which begins on 5 August. Local newspapers are dominated by the coverage of the steps being taken to avoid a terrorist attack, including technology that will allow the security services to shut down mobile phone networks in the event of suspicious activity. A new app, *Vigia*, is being rolled out among volunteers, public transport workers, and tour agents to allow bystanders to report anything out of the ordinary. Earlier this week, a square in Leblon, one of Rio’s wealthiest neighbourhoods, was cordoned off, after an abandoned rucksack was suspected of hiding a bomb. It was a false alarm.

With no history of the kind of terrorism carried out by Islamist militants, Brazil’s public officials are – on the record at least – expressing a degree of confidence that the country is not likely to become a target. Nevertheless, there is a degree of public nervousness, not least in the wake of the Nice attacks in France, and representatives of the Brazilian intelligence services (Abin) have warned of the possibility of ‘lone wolf’ style attacks. A previously unheard of Islamic State-sympathising group, calling itself Ansar al Khilafah Brasil, issued a series of threats in English and Portuguese via the Telegram messaging app claiming that if the French security forces were unable to stop an attack, the Brazilian ones were unlikely to do much better.

International experts, however, have cast doubt on the credibility of the threat. JM Berger, an IS specialist, said that the messages appear to be the “work of a social media activist rather than a bricks-and-mortar initiative”. Recently, Brazilian newspapers picked up on comments from a French intelligence official who testified in May that his organisation had disrupted a plot to attack athletes due to travel to Rio, but on 19 July the Brazilian presidency issued a statement saying that the French authorities had denied they had uncovered any plot to target the Games themselves.

Notably, the US State Department’s Overseas Advisory Council, which offers guidance to US companies on security issues, listed a litany of security concerns at the Rio Olympics, including the possibility of local protests and the Zika virus. But the report did not make any mention of a terrorist threat.

Still, on 17 July Globo TV’s *Fantástico* programme revealed that four people with links to terrorist organisations applied for Olympic credentials. Information released by the integrated anti-terrorism centre (Ciant) showed that 40 people under surveillance by foreign intelligence agencies applied for Olympic Games credentials; four of them with “proven” ties to terrorist organisations. All their requests were denied. Their names and nationalities have not been disclosed. Overall 460,000 people applied for Rio 2016 Olympic credentials. Ciant recommended that the Rio Organising Committee turn down 11,000 of those requests.

Seeking investors

On 17 July Uruguay's Vice-President Raúl Sendic announced that he will travel the United Arab Emirates in search of investors willing to stump up the US\$1bn required by the country to carry out the infrastructure improvements demanded by Finnish firm UPM as a condition for building a new pulp and paper mill in the country. Sendic's announcement came as the Latin American development bank (CAF) announced that it has also approved a US\$80m loan to finance the rehabilitation and maintenance of 280kms of roads in Uruguay.

Ciant comprises representatives of the intelligence services of the US, Spain, France, Britain, Argentina, Belgium, and Paraguay. Andrei Rodrigues, the secretary for mega-events, said that the Ciant team was developing a detailed map of Rio, and ensuring extra training for volunteers and public transport workers to improve their capacity to identify potential terrorist threats.

In the wake of the attack in Nice last week, the head of the cabinet of institutional security (GSI), Sérgio Etchegoyen, said that the local population "will have to swap a little comfort for security" and promised to revise security protocols. More security barriers are expected to be installed around strategic points and longer wait times are expected at Games venues and transport hubs. Already, extra checks at domestic airports are causing irritation among Brazilians unused to European or US-style security measures.

TRACKING TRENDS

BRAZIL | Petrobras. Brazil's state-run oil company Petrobras has elaborated a new 'Ethics Code and Conduct Guide' that is to be signed by "ALL" employees by 26 July. The oil workers' federation, Federação Única dos Petroleiros [FUP, the labour union representing Petrobras workers], linked to the Central Única dos Trabalhadores (CUT) of the left-wing Partido dos Trabalhadores (PT), is against this initiative, describing it as very "vague". It also criticised the fact that any worker who refuses to sign the initiative will have his or her access to Petrobras's internet system blocked.

URUGUAY | UPM proposes new mill. On 15 June Uruguay's President Tabaré Vázquez and representatives of the Finnish forestry company UPM gave a press conference in which they outlined the firm's proposal to build a new pulp and paper mill somewhere on the Río Negro River, which runs through the centre of Uruguay. The new mill would be larger than UPM's other plant in Uruguay, located in the town of Fray Bentos, Río Negro department, and will bring the number of such mills in operation in Uruguay to three, along with the Montes del Plata mill in Colonia department, which is owned by the Swedish-Finnish firm Stora Enso. The development of the new mill would be a significant economic boost for the country. The opening of the Montes del Plata and expansion of the Fray Bentos plant accounted for 0.6 percentage points of Uruguay's 3.6% GDP growth in 2014. According to UPM, the proposed new plant would be its largest, capable of processing 1.3m tonnes of pulp per year. However, in order to develop the project, the Vázquez government must meet some demands made by UPM, which include building a new railway between the plant and the port of Montevideo as well as improving local roads to ensure reliable transport links. The government expects that all of this will amount to an investment of US\$5bn, the largest investment project in the country's history, generating 8,000 jobs and contributing two percentage points to GDP. However Uruguay must tread carefully in developing the project so as not to upset neighbouring Argentina. Soon after the project's announcement, the Argentine municipality of Gualeguaychú, Entre Ríos province, called for Argentina to "repudiate" Uruguay's decision to advance negotiations with UPM without consulting it first. Gualeguaychú, which lies opposite Fray Bentos across the River Uruguay that separates Uruguay and Argentina, objected to UPM's original plant on environmental concerns. This led to a diplomatic clash between the two countries that was only resolved by a 2010 ruling by the International Court of Justice. The Gualeguaychú community is now concerned that the proposed new mill will increase pollution in the River Uruguay as the Río Negro River is one of its tributaries.

Peña Nieto short on political options

The failure to tackle major economic and political reforms has been the undoing of a number of Latin American governments. Resisting change, they have seen their popularity and approval ratings plummet. But the converse is not always true: reformers such as President Enrique Peña Nieto are not always popular. Now well into the second half of his six-year presidency, Peña Nieto is finding himself worryingly short of political friends.

The numbers are not looking good for President Peña Nieto. His approval rating, once a heady 60%-plus, has fallen to its lowest point yet, 29%, according to a mid-June survey by Buendía & Laredo for the national daily *El Universal*. Looking forward to the 2018 elections, in July the same polling agency found that for the first time in recent years the largest group of voters (24% of the total) want to see the next head of state being a member of the right-wing opposition Partido Acción Nacional (PAN), rather than coming from Peña Nieto's ruling Partido Revolucionario Institucional (PRI) which has been pushed down into second place with 20% support.

In third place is the Movimiento Regeneración Nacional (Morena), the new party founded by the maverick left-wing populist Andrés Manuel López Obrador, with 17% support. Fourth place goes to the more traditionally left-wing Partido de la Revolución Democrática (PRD) with 6% support. Parametría, another polling agency, came up with similar results, although it suggests the PAN is doing even better, with 32% support versus 24% for the PRI.

There is still, of course, a long way to go before the mid-2018 elections. The PAN remains some way off choosing a candidate. When names are mentioned in surveys the PAN's Margarita Zavala (the wife of former president Felipe Calderón, 2006-2012) tops the list with 26% support, followed by López Obrador, with 22%, and the PRI's current interior minister, Miguel Angel Osorio Chong, in third place with 19%. From whichever point of view that is taken, the probability that the PRI will lose power in 2018 is looming large.

It was not supposed to go this way. In the first half of his presidency Peña Nieto launched ambitious and far-reaching reforms that were intended to shake up and re-invigorate Mexican society, and lay the basis for a PRI victory in 2018. With the benefit of hindsight, a mixture of bad luck, political misjudgement, serious omissions, and poor execution conspired to deny the government any major post-reform political dividends.

Bad luck

The most evident case of bad luck came when Peña Nieto's energy reforms – designed to eliminate the state monopoly in oil, gas, and electric power, and to attract much-needed foreign investment, were upstaged by one of the biggest global slumps in hydrocarbon prices seen since the Second World War. In the long-term the energy sector shake-up may yet prove its worth. But hopes that it would trigger an investment-led economic boom within the lifetime of the Peña Nieto *sexenio* have been dashed. Efforts to break up telecoms and broadcasting oligopolies also fell short of expectations (and have still not been fully implemented).

The government is struggling with low growth – an average annual GDP growth rate of 2%-3%. It had hoped to be pushing that number up to 4%-5% by 2018, but that acceleration now looks extremely unlikely (*see sidebar*).

Sluggish growth

The International Monetary Fund (IMF) expects Mexican GDP growth this year of 2.5%, edging up painfully slowly to 2.6% in 2017.

Corruption

Many Mexican voters are deeply sceptical of the government's commitment to combat corruption. A decision to dilute civil society demands for greater transparency (among them a demand that all public officials reveal their income tax returns) will also be seen as foot-dragging.

Political misjudgement

This week, Peña Nieto finally signed into law a package of big legislative changes, creating a national anti-corruption system (SNA). In principle, this is an important and positive step. Corruption is almost universally recognised by Mexicans and foreigners alike, as one of the country's principal problems (in another poll 61% of respondents say the government has failed to combat it effectively).

In retrospect, through misjudgement, the government created its own 'perfect storm' over corruption. Peña Nieto made action against corruption one of his top campaign promises in 2012, but then did very little about it for the following four years. Having raised but then frustrated expectations, he then infuriated his electorate by himself becoming involved in the notorious 'casas blancas' case in late 2014, when it was revealed that he, his wife Angélica Rivera, and his finance minister Luis Videgaray had all accepted properties sold to them on favourable terms by a company that was also a beneficiary of big government contracts. The political fallout has been long-lasting.

Announcing the launch of the SNA this week, Peña Nieto played the humble card, referring to the case and saying, "I personally felt the Mexican peoples' irritation, I understand it perfectly. For that reason, with all humility, I ask their forgiveness". But the nature of the new system, which relies on the appointment of a special anti-corruption prosecutor, and the creation of a new court, along with a system of other checks and balances, means that it will take years for any benefits to materialise fully. Here, too, achieving tangible results before 2018 looks unlikely.

Mexican reforms can take years to implement and can lose the sharpness of their original intent through slow or unenthusiastic implementation. One example is the major reform of the criminal justice system introduced in 2008. The aim was to streamline the court system, reducing bureaucracy and whittling down the massive backlog of cases, making the system more transparent, and delivering quicker trials and sentencing.

To do this it was decided to move from an inquisitorial, written-document based system to an adversarial and oral based one. This reform was officially completed last month – after eight years of implementation. Even then the authorities have admitted the new system is only fully operational in four of Mexico's 31 states. According to the think tank Cedac, it could take no less than 11 further years (to 2027) before the reformed system is fully in operation throughout the country.

Education reform

One area at the centre of political calculations is the likely future of the government's education reforms. The evidence to date is that a significant proportion of Mexican public opinion favours the modernising reforms introduced by the government (*see sidebar*).

Serious resistance to the reforms has come from Mexico's second largest teachers' union, Coordinadora Nacional de Trabajadores de la Educación (CNTE), which is strong in southern states with high poverty rates, but which is viewed by many as excessively confrontational and corrupt, since in some areas it controls the appointment of teachers.

The Peña Nieto administration has insisted the education reforms are non-negotiable, placing it in regular confrontation with the CNTE, which has shown a tenacious ability for disruption. A clumsy and violent police operation to lift CNTE motorway blockades last month led to the gunshot deaths of eight protestors in the municipality of Asunción Nochixtlán in the state of Oaxaca and may yet embarrass the authorities further when the results of official investigations into what happened are revealed. López Obrador, potentially the government's main political threat on the left, has spoken out in support of the teachers.

Education reform

The government's education reforms aim to correct the country's poor performance in international education tests (such as the Programme for International Student Assessment [PISA] tests of the Organisation for Economic Co-operation and Development [OECD]) and introduce regular performance management of teachers.

Outfoxing López Obrador

This may explain a surprise move by Peña Nieto. Last week the president performed a U-turn, saying that his administration was, after all, willing to negotiate potential changes to the education reform law, but it would only do so in talks with the more moderate Sindicato Nacional de Trabajadores de la Educación (SNTE). In those talks, the authorities have said there is a package on offer including a 3.5% wage increase and modifications to the system of teacher assessment.

Analysts believe the move is designed to undermine both the CNTE and López Obrador, as well as providing a boost for the education minister, Aurelio Nuño, who along with Osorio Chong is seen as a potential PRI presidential candidate in 2018.

It is clear that electoral calculations are now looming larger in Mexican politics. López Obrador has himself held out the possibility of reconciliation between Morena and the PRD (the party he split from) on condition that the latter "take a healthy distance from the mafia in power". Alejandra Barrales, a former Mexico City education minister who is the PRD's newly-elected president, will need to help the party decide whether it should make alliances to the left – with Morena – or to the right, with the PAN.

TRACKING TRENDS

MEXICO | **'Round two' oil auction set for 2017.** On 19 July Mexico's national hydrocarbons commission (CNH), the sector's regulator, announced that it had authorised the launch of a new public tender process for oil exploration and exploitation concessions in 15 shallow water oil fields in the southern part of the Gulf of Mexico. This will be the first auction of the 'Round Two' oil concession tender process, which is part of government plans to reverse the low oil production levels of the past few years by opening up oil production to increased private sector participation under the 2013 energy sector reform. Before the reform, state-owned oil firm, Pemex, had a 75-year monopoly on local oil production. However, as part of efforts to boost investment and production, the government led by President Enrique Peña Nieto pushed through a reform opening up the sector to private participation. The government is optimistic regarding the new tender process despite the adverse international economic scenario, marked by high volatility and low international oil prices. The government expects that this tender will be more successful than last year's 'Round One' auctions (some of which attracted no bids). The government expects this first phase of the Round Two tender (which includes some blocs that previously attracted no bids) will generate investments worth US\$11.25bn. Energy Minister Pedro Joaquín Coldwell said these investments could generate up to 30,000 jobs directly and up to 80,000 jobs indirectly. He also said this could boost oil and gas production, noting that five of the 15 blocs up for auction contain proven oil and gas reserves. These blocs are concentrated off the shores of Veracruz and Tabasco states and have the equivalent of 650m barrels of proven light crude reserves. The CNH said the Round Two exploration and exploitation concession contracts would go to bidders offering the largest return for the government via a formula that includes a share of pre-tax profits, plus commitments to future investments. The contracts will be valid for 30 years, after which they can be extended for a further five. The government will be responsible for up to 35% of the capital invested in exploration of the oil fields for a minimum 15-year period. The first Round Two auction is slated for March 2017, following the conclusion of the fourth and final phase of the Round One auction (which comprises deep water fields in the Gulf of Mexico) on 5 December.

Constitutional chamber delivers historic ruling

“A historic decision”. This was how the United Nations High Commissioner for Human Rights (OHCHR) described the ruling by El Salvador’s constitutional chamber (SC) of the supreme court (CSJ) which found unconstitutional some aspects of the country’s 1993 amnesty law. The law shields the military, paramilitary groups, and guerrilla fighters from prosecution for abuses committed during the 1980-1992 civil war that left a toll of 75,000 dead and 8,000 disappeared, mainly civilians. The SC’s ruling is highly controversial: it has implications for both the main right-wing opposition Alianza Republicana Nacionalista (Arena), whose founder, the late Roberto D’Aubuisson Sr, led an ultra-right-wing death squad during the civil war, as well as the left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) government led by President Salvador Sánchez Cerén, a former guerrilla.

On 13 July the five-member SC voted four to one in favour of the ruling. Its decision was in line with an appeal filed in March 2013 by the human rights institute (Idhuca) at the Jesuit Universidad Centroamericana (UCA) and other civil-society groups like the Instituto de Estudios Jurídicos de El Salvador (IEJES). The SC ruling, which opens the door for the possible prosecutions of crimes against humanity (*see box*) found that the 1993 amnesty law hinders the right to justice, the investigations, prosecution, punishment, and reparation of crimes against humanity and serious violations of international humanitarian law. Among various objections, the SC found that aspects of the amnesty law violate article 144 of El Salvador’s 1983 constitution, which establishes that the state must comply with international treaties – including the 1969 American Convention on Human Rights, also known as ‘Pact of San José’.

The 1993 law had been approved under an administration led by Arena, which governed the country between 1989 and 2009, until its electoral defeat by former president Mauricio Funes (2009-2014) who ran on an FMLN ticket. Both implicated in the 1993 UN Truth Commission report on the civil war (*see next page*), Arena and the FMLN, which was re-elected in 2014 under Sánchez Cerén, had refused to touch the amnesty law on the grounds that its repeal could re-open old wounds and polarise the country. However calls for the legislation to be overturned received fresh impetus in 2012, after the Inter-American Court of Human Rights (CorteIDH) found the state of El Salvador responsible for the ‘El Mozote massacre’ (the most brutal of the civil war, carried out by the military in December 1981, claiming almost 1,000 victims) and ordered an investigation.

Response

The SC’s ruling was hailed by local and international human rights institutions alike. These included El Salvador’s human rights ombudsman (PDDH), David Morales, and the attorney general, Douglas Meléndez, who said that his office would respect the ruling “from an institutional point of view and fulfil our constitutional responsibilities”. As well as the OHCHR, international human rights organisation Amnesty International (AI) and US-headquartered NGO Human Rights Watch (HRW) both came out in strong backing of the SC’s decision.

The UN Truth Commission’s report attributed almost 85% of cases of violence to agents of the state, paramilitary groups allied to them, and the death squads. The FMLN was accused in approximately 5% of cases. Predictably both Arena and the FMLN have been less than welcoming of the ruling. Defence Minister David Munguía Payés was one of the first to

“By turning its back on a law that has done nothing but let criminals get away with serious human rights violations for decades, the country is finally dealing with its tragic past”.

Amnesty International Americas Director, Erika Guevara-Rosas.

Parker

As well as the figures from the Arena and the FMLN, another figure mentioned in the United Nations Truth Commission report is a national deputy, Rodolfo Antonio Parker Soto, currently the leader of the Partido Demócrata Cristiano (PDC). According to the report, Parker, then a lawyer, altered statements in order to conceal the responsibility of senior officers in relation to the Jesuit priest murder case.

respond. A former head of military counter-insurgency who served as FMLN adviser ahead of his appointment to the defence portfolio by Funes, Munguía Payés told a local TV channel, *Canal 12*, that the SC's ruling was a "political mistake". Two days after the SC announced its decision, on 15 July, Sánchez Cerén gave an address to the nation in which he maintained that his government had a commitment to victims of the civil war but accused the SC of failing to address "the country's real problems". He went on to warn that "far from resolving the daily problems of Salvadoreans, [it] would make them worse".

Also on 15 July, Arena issued a statement, urging respect for the SC's decision while noting that it would present challenges for the process of reconciliation and strengthening democracy and institutions. Arena's founder D'Aubuisson Sr has been implicated in the 1980 murder of Archbishop Oscar Romero, who became a regional icon after he was assassinated for his outspoken defence of the poor. Arena also called on the presidents and secretaries of the political parties represented in the 84-member unicameral national legislature, along with Sánchez Cerén himself, to form a high-level commission to evaluate the country's future in light of the ruling.

Pivotal cases

As well as the El Mozote massacre and Romero's murder, other emblematic cases likely to be revisited in the wake of the SC ruling include the 1989 killing of six Jesuit priests (five of them Spanish citizens) - all fierce critics of the human rights violations perpetrated by the military - their housekeeper, and her daughter at the UCA.

The case already made headlines in February 2016 after four retired military officers wanted in connection with the case were arrested - Colonel Guillermo Alfredo Benavides Moreno; Deputy Sergeant Antonio Ramiro Avalos Vargas; Deputy Sergeant Tomás Zarpate Castillo; and Corporal Angel Pérez Vásquez. The arrests were in line with an Interpol Red Notice reissued on 5 January with which the FMLN government instructed the police to comply.

While 12 of the men sought by Interpol remain at large in El Salvador, former Colonel Inocente Orlando Montano (a former deputy minister for public security) and number 17 on the Red Notice, is in the US, where he is imprisoned on charges of immigration fraud. His extradition to Spain was approved on 5 February.

Figures implicated

As well as the former military officials, online investigative publication *El Faro* also points to government figures who could face some uncomfortable questions, not least President Sánchez Cerén himself.

While not directly mentioned in the UN Truth Commission report, Sánchez Cerén's record in the civil war (where he served as general secretary of the Fuerzas Populares de Liberación [FPL] one of the organisations which became the FMLN guerrilla group) is controversial. A book entitled 'Grandeza y miseria en una guerrilla, informe de una matanza', which was published in 2008 by two FMLN dissidents, Geovani Galeas and Berne Ayalá, alleges that the executions of over 100 guerrillas and FMLN members suspected of betraying the guerrilla cause, carried out by 'commandant Mayo Sibrián' in the San Vicente region, took place with Sánchez Cerén's consent.

Other figures include a private secretary to the presidency, Manuel Melgar (former justice & security minister [2009-2011]) who remains the object of suspicion in the US for his alleged involvement in an attack in 1985 (Zona Rosa) in which four US marines were killed (along with eight others). Meanwhile the director of the country's civil protection agency, Jorge Meléndez, is named in the UN Truth Commission report in relation to summary executions carried out by the Ejército Revolucionario del Pueblo (ERP), one of the organisations which made up the FMLN, between 1985 and 1988.

Quotes of the week

“It is an example for the world.”

A group of United Nations independent experts responds to the decision by El Salvador's supreme court (CSJ)'s constitutional chamber (SC) to declare unconstitutional the country's 1993 amnesty law.

“I get the impression that this cabinet is like a sancochado, they all know each other, but they share no empathy. This will make it difficult to govern.”

Lourdes Alcorta, the deputy spokesperson for Peru's main opposition Fuerza Popular (FP) party, comments on the political hodgepodge nature of the proposed ministerial cabinet unveiled by President-elect Pedro Pablo Kuczynski by comparing it to a hastily put together mixed meat stew.

“We avoided a crisis that would have meant that Argentina inexorably went down Venezuela's path. Argentina was like an airplane headed for a crash.”

Argentina's President Mauricio Macri defends the drastic move towards orthodox economic policies by his government since coming to power in December 2015 from criticisms that this has led to a sharp loss of Argentine's purchasing power, and has yet to produce tangible positive results.

POSTSCRIPT

Cuba and the US - one year on

One year ago, on 21 July 2015, the US flag was raised over the interests section in Havana, Cuba, marking its restoration to embassy status as part of the renewal of US-Cuban diplomatic relations, while dozens of officials and celebrities were served mojitos at a festive ceremony to re-open the newly restored Cuban embassy in Washington.

Twelve months on, and following the historic visit to Cuba of US President Barack Obama in March, Havana is one of the hottest tourist destinations in the world, including for Americans (now visiting in their thousands under newly liberalised travel rules), but life inside Cuba remains tough, with the island economy suffering ill winds from weak global commodity prices and, more forcefully, the severe crisis in Venezuela, since 2003-2004 the Communist government's main economic patron. The mood on the street is one of slight disappointment that the Obama visit failed to nudge the government led by President Raúl Castro towards faster economic (or political) reform. Castro's recent decision to move his economy minister has added to the uncertainty as to policy direction on the island.

In the US, hungry investors are equally frustrated at what they say is the Castro government's failure to reciprocate the measures implemented by the US government to facilitate renewed trade and commerce. “The United States business community is disappointed with the pace of engagement by the government of Cuba”, according to John Kavulich, president of the New York-based US-Cuba Trade and Economic Council. “There was an expectation that the government would appreciate the importance of having a broad and deep export and service landscape well in place.”

However, with the clock ticking on the Obama administration, there is concern on both sides to put a positive spin on what has been achieved to date and, just as importantly, to copper-fasten it ahead of the change of government in the US in January. Cuban and US officials met this week in Havana to sign a deal on anti-drug trafficking and will hold talks in Washington in late July on property claims. “Normalization is a long term process...but we are making slow and steady progress”, a senior US State Department official stated. Meanwhile Josefina Vidal, the Cuban foreign ministry's director of US affairs, told the daily *Granma* that President Obama “could still do much more to make the process irreversible” before he leaves office. Nonetheless, she too acknowledged “a great deal of progress” to date.

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