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## Ortega delivers hammer blow to Nicaraguan democracy

Nicaragua's President Daniel Ortega has swept away the last vestige of opposition to his government and consolidated his ironclad grip on power. The supreme electoral court (CSE), subjugated to the Ortega administration, issued a ruling on 28 July dismissing 28 national legislators (including 12 alternates) from the main opposition Partido Liberal Independiente (PLI). The move means that the national assembly, the only state institution not in thrall to Ortega, is now completely controlled by the ruling Frente Sandinista de Liberación Nacional (FSLN). Days later Ortega confirmed that his wife, First Lady Rosario Murillo, would serve as his running mate in November's presidential elections, formally entrenching the family dynasty.

The CSE's ruling is linked to an earlier decision by the body stripping long-time government opponent Eduardo Montealegre of the PLI leadership and handing it to Pedro Reyes Vallejos, a reported stooge of President Ortega [[WR-16-25](#)]. The CSE justified its ruling on the grounds that the deputies in question had refused to recognise Reyes as the new PLI leader.

Opposition deputies looked shellshocked in a hastily convened press conference on 29 July. The head of the opposition bench in the assembly, Wilber López, denounced "the demolition of the last bastion of democratic institutionalism and the rule of law [by Ortega and the CSE] because it violates all of the [country's] legal procedures and destroys the foundation of the Nicaraguan constitutional system". The opposition also released a statement warning about "growing repression [and] the use of the apparatus of state coercion against opposition leaders and members of the public speaking out against the regime".

Nicaragua's national business federation, Consejo Superior de la Empresa Privada (Cosep), which has enjoyed an alliance with Ortega throughout the 10 years of his second stint in power, also balked at the audacious removal of the last of the formal checks and balances on his government. Cosep called on the government to respect the constitution and refrain from "the concentration of power to the detriment of democracy". In a strongly worded statement, breaking its silence on Ortega's increasing authoritarianism, Cosep argued that the dismissal of the deputies "weakens representative democracy, political pluralism and the division of powers", adding that it was "imperative and urgent...to establish the minimum conditions to strengthen democratic institutionalism in our country". It went on to contend that "It is the responsibility of everyone to promote political stability, sustainable development and social cohesion, but above all to overcome...our political and ideological differences since we cannot allow our country to be taken to the verge of confrontation as in the past".

Another private sector lobby, the American-Nicaraguan Chamber of Commerce (Amcham), released a statement denouncing the CSE ruling as

## Venezuelan parallel?

The dismissal of Nicaragua's opposition deputies follows fast on the heels of a move in Venezuela by the ruling Partido Socialista Unido de Venezuela (PSUV) to revoke the political registration of the main opposition coalition Mesa de la Unidad Democrática (MUD) for alleged fraud in the signature-gathering process to force a recall referendum on President Nicolás Maduro.

“deepening the political crisis and uncertainty that our country is experiencing”. Meanwhile, the US State Department spokesperson, John Kirby, said on 1 August that his government, which has already expressed concern about the lack of international electoral observers [WR-16-25], was “gravely concerned by the actions of the Nicaraguan government and Supreme Court to limit democratic space in advance of presidential and legislative elections in November”. Kirby insisted that “credible elections and political plurality are fundamental to any strong democracy”, and urged the Nicaraguan government to “respect the voices of its people”.

Although the FSLN enjoyed a comfortable majority of 62 in the 92-seat national assembly, it was the one state institution over which the Ortega administration did not exert full control, where opposition deputies provided a lone dissenting voice. The timing of the move to denude the opposition of power just before the elections means that Ortega will now coast home and the FSLN secure an even more thumping majority. There was never any real doubt that Ortega would win, even with the PLI competing in the elections, as he remains popular, so speculation is rife that there might have been an additional motivation behind the move: to silence the opposition ahead of encroaching economic uncertainty, with Nicaragua's chief benefactor, Venezuela, in dire straits; and, with doubts about Ortega's own health, to silence criticism of his establishment of a family dynasty, raising the spectre of the Somoza dictatorship (1936-1979).

### Keeping it in the family

With this uncertainty on the horizon, Ortega moved to further consolidate his grip on power on 2 August by registering Rosario Murillo as his running mate. There has been a growing trend of matrimonial succession in Latin America in recent years as outgoing presidents have sought to retain power through their wives, although Ortega is the first to run on a joint ticket with his wife, formally enshrining a family dynasty in Nicaragua, with numerous scions enjoying the trappings of power: four of Ortega's relatives are presidential advisers; his first-born son, Rafael Ortega Murillo, is an adviser with ministerial rank.

Opinion polls show that Ortega remains popular due to his government's social programmes, bankrolled by Venezuela, and his record on security (see box). The latest survey by M&R Consultores, published on 22 July, put support for Ortega and the FSLN at 82% and 60%, respectively. The poll, which interviewed 1,601 people across the country, showed support for the opposition at just 5%, while 34% did not give their preferences.

### Security concerns

The FSLN government continues to trumpet security-related achievements. According to a 5 July report by the state mouthpiece *el19digital*, since the FSLN government returned to power in 2007, Nicaragua's homicide rate has fallen by 22%. The report claims that while the average homicide rate for Latin America is 28.5 per 100,000 inhabitants, Nicaragua's is just 8 per 100,000 inhabitants. This is well below its Central American neighbours – El Salvador registered 68.6 per 100,000; Honduras, 66; Guatemala, 31; Panama, 16; and Costa Rica, 9.5.

However President Ortega was recently forced to admit that while Nicaragua enjoys “internationally recognised high levels of security”, it is “not total”. This after Major Buenaventura Miranda Fitoria, the police commander in Boaco department and a founder of the national police (PNN) was shot dead by an unknown assailant on 27 July when parking his car outside his home. The authorities have yet to identify the perpetrator or the motive for the attack.

The latest survey on perceptions of citizen security published in June 2016 by the respected local think-tank Instituto de Estudios Estratégicos y Políticas Públicas (IEEPP), showed that just 14.2% of the 1,721 respondents cited crime as their main concern; 32.1% named unemployment; 18.8%, high prices; and 18.5%, poverty.

### Funding questions ahead of vote

Last month the US government revealed that it would not provide finance for Haiti's re-run presidential election slated for 9 October (the cost of which is put at US\$55m). Serving as the latest source of uncertainty ahead of the vote, the announcement has been widely interpreted as a sign of displeasure at the decision by Haiti's provisional electoral council (CEP), announced on 6 June [WR-16-21], to scrap the results of the 25 October 2015 first round of presidential elections due to allegations of fraud. Further compounding doubts over the electoral process is the bicameral legislature's ongoing failure to vote on whether to extend the 120-day mandate of interim president Jocelerme Privert (which expired on 14 June).

In a 7 July press briefing US State Department spokesperson John Kirby said the decision "does not signal a reduction in US support for the people or development of Haiti". Rather, he said, it stemmed from the fact that "we did not plan funding for two more electoral rounds in 2016-2017, per the revised electoral calendar". The disputed presidential first-round results had produced a run-off between Jovenel Moïse of Parti Haïtien Tèt Kalé (PHTK) – the party of former president Michel Martelly (2011-2016) – who the opposition claims was the main beneficiary of the fraud and Jude Célestin of the opposition Ligue Alternative Pour le Progrès et l'Emancipation Haïtienne (Lapeh). In the press briefing, Kirby said "I think it's important to remember that we financially supported the 2015 elections, and those results we, the European Union, the Organization of American States all found to be credible. And as we said before, we regret that the Haitian Provisional Electoral Council chose to discount the 2015 presidential electoral results rather than complete those elections in a timely manner".

The Haitian government continues to maintain that the cost of restaging the vote will be covered from other sources. On 7 July the *Miami Herald* cited presidential spokesperson Serge Simon as saying that "We already made ourselves clear: Haiti will make all effort to find the \$55 million to do the elections... If no one comes to our assistance we will manage because the priority for us is the elections". Most recently, on 28 July, Privert – who has remained in power since his mandate expired, awaiting the legislature's final decision – told reporters that the money "would be available" but failed to specify the sources. With no further clarity as to how the costs would be covered, a 19 July report, also by the *Miami Herald*, cites local sources as saying that Haiti has so far secured about US\$18m for the funding of the new elections, including US\$6m left over in an election trust fund controlled by the United Nations Development Programme (UNDP). However, the report also says that the US government has asked two UN agencies to refund at least US\$1.9m given as part of the US government's contribution last year.

#### International concern

The legislature's failure on four occasions to vote on whether to extend Privert's mandate continues to attract international attention. On 21 July the US government's Haiti Special Coordinator Kenneth Merten travelled to Port-au-Prince to meet CEP members and "other stakeholders key to a return of constitutional order in Haiti". In a 15 July statement, OAS Secretary General Luis Almagro expressed his "deep concern" over the "demonstrated inability of Haitian parliamentarians to meet in the National Assembly to decide on how best to guarantee institutional stability and encourage the continuation of the electoral process".

#### Privert's mandate

On 19 July Haiti's interim president, Jocelerme Privert, formally called new presidential, partial legislative, and local elections. Privert's official convocation of the vote is in line with 2015 electoral legislation but remains controversial: some argue that he is no longer president and so lacks the authority to convene the vote while his supporters insist that because the legislature has failed to vote on whether to extend his term, he remains in office.

## Kuczynski gets taste of challenge ahead

Pedro Pablo Kuczynski was sworn-in as Peru's new head of state on 28 July. In a 40-minute address to congress, Kuczynski offered a vision of Peru as "a beacon of civilization on the Pacific", with poverty eradicated and inequality reduced. The main opposition Fuerza Popular (FP), which dominates congress, gave Kuczynski a hostile reception, failing to applaud anything he said and repeatedly shouting the name of the party's narrowly defeated presidential candidate, Keiko Fujimori, despite his conciliatory address. Kuczynski then enraged FP by suggesting in an interview with Spain's *El País* that his government would need to co-opt 30 of the party's deputies in order to govern successfully.

During his address to congress, Kuczynski delineated his vision for the country, promising that by the bicentenary of Peru's independence in 2021 (also the year his term concludes), all children would have free access to quality primary and secondary education and opportunities to pursue higher education; that an "efficient, modern health system with universal access" would have been created; and that "infrastructure will have been developed the like of which has never been anticipated".

Kuczynski's address was heartfelt. While discussing his commitment to improve the health system, for instance, he said that the memory of his father Max "practicing medicine in inhospitable places, returning dignity to the sick has accompanied me all my life: I cannot betray his legacy". While discussing the need to enhance Peru's infrastructure, especially the outdated road network, he stressed that "I will not forget Iquitos, the city of my childhood [in Peru's northern Amazon], today isolated". He spoke passionately about creating "a modern country, which means honest not corrupt", where those found guilty of corruption face justice, before a judiciary which "must undergo a profound reform". And he promised that Peru would join the Organisation for Economic Co-operation and Development (OECD) within the next five years (the only other members of the OECD in Latin America are Chile and Mexico) to boost its image as a stable and responsible country for investment.

Kuczynski was criticised by FP for failing to provide much in the way of specific proposals during his address, highlighting distant goals with no clear path to achieve them. In addition to his visions for education, health and infrastructure construction to drive national development, Kuczynski also set the goals of providing universal access to drinking water and bringing a big chunk of the informal sector into the tax net, an unfulfilled aspiration of many of his predecessors. But in fairness his government has fleshed out some of these proposals, especially with relation to the informal sector.

Kuczynski's prime minister, Fernando Zavala, said that the government was aiming to create 3m jobs by 2021, an ambitious target, over the next five years: 1.5m jobs, principally for the younger generation; and the other 1.5m by formalising informal jobs at the rate of 300,000 a year. The government hopes that reducing the value added tax (VAT, known locally as IGV) by 1% by January 2017, and providing special treatment for small and medium sized enterprises (SMEs), will enable it to get 60% of the economically active population into the formal sector. The tax agency (Sunat) will create a special regime to benefit small companies that formalise, providing a series of tax and labour incentives.

### Kuczynski's 'style'

President Kuczynski broke protocol during his inauguration ceremony and the military parade a day later with a series of spontaneous gestures. He received a positive response during the military parade, for instance, for his decision to put his dog Lorenzo at the head of the police dog division, but was widely criticised for putting a handkerchief on his head to protect himself from the sun.



## Delegating power

President Kuczynski is very content to delegate. Each minister will draw up and present his plan of action for the first 100 days in office.

Pertinent cabinet ministers will also appear before congress to present their proposals in the areas of public security, economic reactivation, water and sanitation, and implementing an anti-corruption system, in which the government is requesting legislative powers: the interior minister, Carlos Basombrío; economy, Alfredo Thorne;

housing and sanitation, Edmer Trujillo; and justice Marisol Pérez Tello.

## Courting Fujimorismo

Kuczynski is seeking special temporary legislative powers from congress to pass legislation to reactivate the economy, including the IGV reduction, as well as public security, water and sanitation, and implementing an anti-corruption system (*see sidebar*). But FP is reluctant to cede these legislative powers. It disagrees with the proposal to reduce the IGV, which it argues will benefit business rather than the public, and wants to see evidence of how the tax take would be increased. It may also have reservations about the national anti-corruption authority which Kuczynski wants to establish. Kuczynski has yet to provide any details on this. Former president Alan García trumpeted the creation of a national anti-corruption body (ONA) during his second term in power (2006-2011) but it was ineffectual and was wound up 10 months after it was formed in 2008.

So far FP has sent out very mixed messages about its readiness to cooperate with the new government. On the one hand, Keiko Fujimori has given the impression that she is determined to dictate terms, using her party's legislative dominance to "convert our plan of government into laws", which prompted Kuczynski to insist that he was "driving the car"; FP is also determined to control the congressional budgetary and general accounts commission, the presidency of which traditionally goes to the ruling party, prompting ministers to raise the prospect of "a clash of powers".

On the other hand, however, Luz Salgado, the (FP) president of congress, has made some conciliatory overtures already, and held a cordial meeting with Zavala. "We must allow exchange of ideas and arguments to flourish," Salgado said. "We are all committed to democracy...beyond our differences there is an objective: a reconciled country. Let's fight together, all 130 members of congress".

Salgado also accepted in good heart an apology from Zavala about remarks Kuczynski made to *El País*. When questioned by the Spanish daily about how he was going to govern, Kuczynski said there were "30 [FP deputies] that jumped on the bandwagon thinking that they would get a gift if it won. What we need to do from a completely selfish perspective is court a few of them. If we don't do that it is going to be difficult to work with congress". Kuczynski added that he did not expect "great cooperation" from FP but was hopeful it would be "neutrally tolerant".

Kuczynski's comments incensed FP. "Is he trying to promote floor crossing in congress?" FP deputy Rolando Reátegui asked rhetorically. "I think it's reckless what the president has said. All this about wanting 'to court them' means buying with gifts so that they defect to his bench." Another FP deputy, Héctor Becerril, called on Kuczynski to "name names". He also criticised the fact that during his inaugural address Kuczynski called for unity beyond political and ideological differences, making his comments "incongruous" and "erratic".

Kuczynski later sought to clarify his remarks by saying he had merely meant that the government needed to convince a majority of deputies to approve its proposals on security, the economy, and rooting out corruption, and was not a strategy to promote floor-crossing. But his remarks suggested that while he might have assembled a talented team and be a highly competent administrator, Kuczynski is not politically adroit.

Zavala smoothed things over with Salgado, saying that Kuczynski's comments had been interpreted in a way that "does not reflect what the government believes". The prime minister is more subtly seeking to seduce FP deputies with regional roots rather than those in the two camps aligned behind Keiko and her brother Kenji Fujimori, with a promise to advance decentralisation.

## Complicity in violence

Reverol's predecessor in the interior ministry, Gustavo González López, was one of seven Venezuelan government officials placed on a US government sanctions list in March 2015 on allegations of complicity in violence against anti-government protesters in 2014. González denies the US accusations. While removed from the interior ministry, González remains as head of the national intelligence agency, Servicio Bolivariano de Inteligencia Nacional (Sebin), a post to which he was appointed on 17 February 2014, just as the protests were starting to escalate. A tough security crackdown on the protestors followed.

## Maduro appoints controversial interior minister

President Nicolás Maduro's response to the latest US criminal allegations against government officials was swift and defiant. On 2 August Maduro brazenly appointed the military general Néstor Reverol as interior minister, a day after Reverol was indicted by US authorities on drug-trafficking charges.

Reverol had been removed from his post as head of Venezuela's national guard (GNB, a militarised police force) in early July, without much explanation, but thanked by the president for his "hard work and honesty". Reverol had also served under President Maduro's late predecessor Hugo Chávez (1999-2013) as director general of Venezuela's anti-drugs agency (ONA), before a short stint at the interior ministry (October 2012-April 2013).

### "No one is above the law"

On 1 August, the US Justice Department announced that an indictment was unsealed in the District Court for the Eastern District of New York (Brooklyn) charging Reverol and Edilberto José Molina Molina, the former deputy director of the ONA and currently Venezuela's military attaché in Germany, with participating in "an international cocaine distribution conspiracy". The indictment, returned on 21 January 2015, "relates to Reverol's and Molina's alleged activities from January 2008 to December 2010, when they served as the top officials for the ONA". The charges allege that in their official capacities at the ONA, "[they] used their positions of power to enable drug trafficking organizations, all the while hindering law enforcement's efforts to thwart them".

Maduro slammed the charges as a renewed attack on Venezuela by "the US empire" and praised Reverol, suggesting that in his six months as interior minister, Reverol "broke the world record for capturing traffickers; that is why they want to make him pay – the DEA [US Drug Enforcement Administration] and all the US drug mafias... That's why I have named this brave, combative, experienced man... I offer all my personal support... to him and his family".

The appointment may add to the suspicion that the Venezuelan military is now effectively running the government, following Maduro's controversial move to make the cabinet and all government ministries answerable to the head of the military (and defence minister), General Vladimir Padrino López, in the general's new role at the helm of a new national supply command ('Gran Misión Abastecimiento Soberano y Seguro'). When The New York Times first broke the story about the indictment in December 2015, Padrino, in his capacity as defence minister, tweeted, "Stop the campaign to tarnish the Bolivarian Armed Forces and their leaders. Let the truth come out!" The GNB also issued several tweets, among which, "We reject the campaign from the fascist Right against our Commander General".

Mike Vigil, a retired DEA official, told *Reuters* at the time that the GNB was long suspected of involvement in the drugs trade. "The National Guard has been key to opening up the doors into Venezuela for Colombian drug trafficking organizations and subversive groups... They have transformed Venezuela into a massive pipeline for cocaine into the United States and Europe", he was quoted as saying. Two other former national guard officials have previously been indicted on US drugs charges. Reverol hails originally from the western state of Zulia, which shares a busy land border with Colombia.

### Other changes

President Maduro also brought PSUV Deputy Ricardo Molina back into the cabinet, as minister for transport and public works and vice-president for territorial socialism. Molina spent five years as housing minister under former president Hugo Chávez, from where he oversaw the Socialist government's flagship public housing scheme, 'Gran Misión Vivienda'.

### Revolving door in productive ministries

Unexpectedly, President Maduro this week also removed his industry and commerce minister, Miguel Pérez Abad, who doubles as vice-president for the productive economy. "I told him to rest for five or six days. I have given him a new mission – we will announce it soon," Maduro said. The move will alarm the local private business sector, as Pérez, a former head of a small business association, Fedeindustria, was seen as amenable to some of the reforms needed to get the domestic economy out of its deep rut, including currency reform. Pérez was only appointed to the post in February, replacing a radical Marxist economist, Luis Salas, who, controversially, denied the existence of inflation in Venezuela.

A new Simadi 'floating' exchange rate was launched in early March at BF\$200/US\$1. The idea, advocated by Pérez, was that the rate would eventually find its level, eliminating the black market currency and allowing for currency reunification. However, the rate depreciated so rapidly (it is now almost 70% weaker than in March) that it exacerbated the country's triple-digit inflation, estimated at 487% year-on-year in June, on anonymous central bank sources. In an apparent move to reverse this, the government signalled a policy change in mid July to slow the pace of Simadi depreciation, tacitly setting a floor of BF\$700/US\$1 for the unit. This latter policy change appears to have emanated from the finance ministry, led by Rodolfo Medina. Notably, it also came in the wake of the promotion of General Vladimir Padrino López to Maduro's effective number two. The Simadi has levelled a bit in recent weeks, hovering at BF\$640-BF\$645 in early August.

Pérez, it appears, was not consulted. Indeed, in an interview on 31 July, Pérez was cited as saying that Venezuela would have "a floating currency system in 60 days". He also suggested that some 'non strategic' expropriated companies could be returned to the private sector, comments stoutly contradicted days later by Diosdado Cabello, number two in the ruling Partido Unido Socialista de Venezuela (PSUV).

Pérez is replaced by Carlos Faría, promoted from his post as deputy minister for medium and light industries. Maduro praised "this young professional" for his experience of "integrating processes and productive management", and said he would "come in with new energy and force". Maduro added that his third industry and commerce minister this year would focus on supply and distribution, in support of the new Gran Misión Abastecimiento.

### The MUD – between hope and despair

Following approval by the national electoral council (CNE) of a signed and validated petition for a presidential recall referendum, first submitted on 2 May by the Mesa de la Unidad Democrática (MUD), the opposition coalition quickly submitted its request to the CNE to proceed with the next phase of the process. This involves the collection of 3.7m signatures and their subsequent validation by the CNE, after which the CNE would have to stage the referendum within 30 days. The CNE has 15 days to respond to the latest request. The sole independent CNE rector, Luis Rondón, said that the CNE's move to ask the public ministry to investigate some instances of signature fraud would not interfere with the main process; the PSUV's Diosdado Cabello, however, insisted otherwise. The PSUV has petitioned the supreme court (TSJ) to review the process, alleging "massive fraud".

Meanwhile, after the TSJ ruled illegal a move by the MUD-controlled national assembly to reinstate three suspended deputies, President Maduro threatened to starve the legislature of operational funding, adding to fears that he might move to close it down. Isaías Rodríguez, Venezuela's ambassador to Italy and a member of the 1998 constituent assembly, insisted that the 1999 constitution does permit the president to dissolve the assembly in order to guarantee institutional stability. In a speech in Rome on 3 August, Rodríguez said that the Venezuelan system was neither parliamentary nor presidential but "semi presidential", "because, in our system, all the power is in the constitutional chamber [of the TSJ], it's in the judicial power", he emphasised. Notably, the TSJ also ruled that any further decisions by the legislature would lack all legal validity. The MUD, which recovers its two-third legislative majority with the reincorporation of the three, has yet to react.

## Latam Airlines suspends operations in Venezuela

On 30 July Latam Airlines, Latin America's largest air carrier, indefinitely suspended all its flight routes to and from Venezuela. The airline had temporarily suspended these flights on 30 May until 1 August, attributing the decision to the "current complex macroeconomic situation affecting the region". Latam, which said that it would resume its operations in Venezuela once "conditions in the country allow it", is the fourth international air carrier to suspend flights to Venezuela this year, following in the footsteps of Brazil's Gol, Germany's Lufthansa, and Mexico's Aeroméxico.

**COLOMBIA | Central bank increases interest rates.** On 31 July Colombia's Central Bank (Banrep) decided to increase the benchmark interest rate by 25 basis points to 7.75%. Banrep's board of directors explained in a press release that this decision was taken because of persistently high levels of inflation. Two of the main inflation indicators, the consumer price index and the average core inflation, sharply increased in June respectively reaching 8.6% and 6.5%, well above Banrep's target of 3%.

The press release suggests that the high levels of inflation were partially the result of a lagged variation in food prices caused by the recent 'El Niño' weather phenomenon, which produced a severe drought in Colombia earlier this year, as well as the depreciation of the peso against the US dollar. However, the rate increase also came after President Juan Manuel Santos publicly asked Banrep not to increase interest rates so as not to affect domestic economic growth and job creation.

Banrep has been increasing interest rates almost consistently since September 2015 as it attempts to contain inflation and defend the peso. But there are signs that the contractionary monetary policy adopted by Banrep is negatively impacting economic activity, not least the decision taken at its latest board meeting to reduce its domestic economic growth forecast for 2016 from 2.5% to 2.3%.

Banrep attributed its decision to reduce its GDP growth forecast to weak global economic activity and a domestic demand that is still adjusting to the deterioration of national income. On a positive note for foreign trade, Banrep said that the external deficit continued to fall in the second quarter of 2016, saying it expects a further reduction this year, bringing the total deficit to US\$15bn or 5.3% of GDP.

**ECUADOR | Chevron.** Ecuador had to pay Chevron US\$112m on 22 July to satisfy an arbitration award related to a long-running commercial dispute in order to prevent the US oil giant from "bankrupting" Ecuador, President Rafael Correa has claimed.

"If we had not paid Chevron... [it] would have destroyed Ecuador," Correa told journalists in the coastal city of Guayaquil on 2 August. "They were already looking for all of Ecuador's assets, all of its foreign accounts to block them and bankrupt Ecuador because Chevron hates us," Correa added.

The Correa administration was able to pay Chevron directly after indigenous communities represented by the Frente de Defensa de la Amazonía (FDA) lifted an embargo which had been won in a local court against the arbitration award. The FDA is seeking US\$9.5bn from Chevron, in a separate lawsuit related to environmental damage in the Amazon.

The FDA, which won the multi-billion dollar environmental judgement in 2011, being appealed by Chevron, subsequently announced that it was "stunned" to discover that its lawyer, Pablo Fajardo, had "illegally lifted the embargo on Chevron, without the approval of the FDA... apparently at the request of individuals in Ecuador's government".

The FDA went on to announce that it had severed all links with Fajardo, and hired a new lawyer, Patricio Salazar, to replace him.

**PERU | Record copper production.** On 27 July Peru's mining & energy ministry (MEM) released new figures suggesting that the Andean country could see a record production of copper (one of Peru's main exports) this year. According to the MEM figures, during the first quarter of 2016 the production of copper reached 1.2m tonnes (t), 51.4% higher than the same period last year, when production reached 740,000t, and the highest figure for five years.

The MEM noted that this increase was partly driven by the coming on-stream of the 'Las Bambas' copper mine, located in the south-central region of Apurímac, at the start of the year.

Peru also saw an increase in the first quarter on the production of other precious metals such as gold and silver, which increased by 7.38% (from 71t to 77.1t) and 15.7% (from 1.8m t to 2.1m t) respectively.



## Impeachment

Eduardo Cardozo's comments looked to have some justification. Following a lunch with the interim president, Michel Temer, and other PMDB senators, the senate president Renan Calheiros on 3 August defended an earlier start date for the impeachment, suggesting that the upper house could even work over a weekend, something he had previously rejected. However, the supreme court president, Ricardo Lewandowski, who will oversee the trial, has intimated that he has no intention of giving up his weekends. Echoing Cardozo, PT senator Gleisi Hoffmann complained that there was no particular pressure from Brazilian society to race through the impeachment. "This eagerness is coming only from those *golpista* senators," she complained.

## BRAZIL & SOUTHERN CONE

### BRAZIL | POLITICS

#### Speedy impeachment around the corner

Brazil's former justice minister, Eduardo Cardozo, has slammed the author of a report by the federal senate's impeachment committee for allowing himself to be motivated by "political passions" in writing it up. The report found sufficient grounds for the impeachment trial against the suspended president Dilma Rousseff to go ahead. Cardozo also had very critical comments for Rousseff's successor, the interim president Michel Temer, who, he suggested, was abusing his power by interfering in the process with a view to expediting the final trial process.

Senator Antônio Anastasia, of the Partido da Social Democracia Brasileira (PSDB), said in his report, released on 2 August, that the accusations against Rousseff were "undeniable". Rousseff is charged with breaching fiscal rules by borrowing from state banks to cover budget gaps without informing the federal congress, thereby allowing for some additional spending flexibility ahead of the October 2015 general elections (in which Rousseff was re-elected for a second term and her Partido dos Trabalhadores [PT] for a fourth consecutive term in government).

"What we found was an expansive spending policy that was not fiscally sustainable and lacked transparency, with operations that bypassed congress and did not follow good practices of budget management", the report states. Under Brazil's constitution, the president bears ultimate responsibility for breaches of the fiscal rules.

Cardozo (PT), who is a senior member of the Rousseff defence team, suggested that Anastasia, who he said he knew as a "a lovely man, a great jurist", may have allowed himself to be moved by "party passions" that caused him to forego "legal rigour" in drawing up the final report, from which Cardozo said Anastasia had omitted critical evidence submitted by the Rousseff defence team, including documentation and witness testimonies. Cardozo, like Rousseff and others in the PT, maintains that the charges against the suspended president are spurious from a legal standpoint and politically motivated by powerful interests seeking to bury the stew of multi-billion-dollar corruption scandals affecting much of Brazil's political and business elite, exposing decades of entrenched cronyism at the highest levels.

Cardozo's complaints will likely fall on deaf ears. The federal senate impeachment commission, presided over by Raimundo Lira, of Temer's Partido do Movimento Democrático Brasileiro (PMDB), will vote on the Anastasia report on 5 August. While its vote is non-binding, it will inevitably have a bearing on the plenary, expected to vote on 9 August on whether to proceed to the final impeachment phase; a decision that requires only a simple majority. That would be followed by a final trial session in late August, overseen by the president of the supreme court (STF), Ricardo Lewandowski.

With a qualified majority of the 81-seat senate (54) expected to vote for her removal, Rousseff's fate appears sealed. Lewandowski and the senate president, Renan Calheiros, have agreed that the final phase would commence on 29 August; however it has been widely reported that Temer has pressured Calheiros (also of the PMDB) for it to begin a few days earlier, on 25 August, so that he can attend an upcoming G-20 summit in China in early September with his position normalised. Reportedly, Temer does not want to attend the summit as interim president.

## Meirelles's challenge

The Temer administration inherited from the Rousseff government a fiscal deficit in excess of 10% of GDP and a public debt/GDP ratio nearing 70%.

Cardozo accused Temer of dangerously overstepping the mark. "What draws attention is the presidential interference. This should not be possible. He can go to China as an acting president, there is no problem whatsoever in that. Now, for him to interfere is a republican impropriety in every sense. He is the principal beneficiary of this process," Cardozo emphasised.

## BRAZIL | ECONOMY & POLITICS

### Temer in hot water over state debt-relief bill

Interim President Michel Temer got into trouble this week with his own finance minister, Henrique Meirelles, with rumours of 'words' between the president's office and the finance ministry after Temer agreed to some last-minute concessions to a new debt-relief bill for the country's 27 states. The concessions were demanded by state governments and federal legislators ahead of a congressional vote on the bill, due imminently.

In line with its fiscal consolidation plans, which include an executive proposal for a constitutional amendment (PEC) to place curbs on government spending for the next 20 years, the finance ministry offered state governments R\$50bn (US\$15bn) in emergency debt relief in late June. Under the deal, states would be given a six-month grace period on debt owing to the federal government, followed by 18 months of reduced payments. The total package will cost the federal government R\$20bn in 2016, and R\$15bn respectively in 2017 and 2018. Five credit lines from the national development bank (Bndes) would also be extended for another 10 years.

Meirelles was clear that the debt relief was aimed foremost at allowing states to overcome difficulties in meeting public-sector wage and social welfare payments. He also emphasised that governors had committed to accepting new legal limits on annual state spending growth (to the previous year's rate of inflation), as per the main PEC proposal. Finally, he said that in return for the deal, governors had also agreed *not* to follow the example of the city of Rio de Janeiro in declaring their states to be in economic emergency (Rio, the Olympic Games host, received a separate US\$850m emergency bailout loan in June).

In a speech to bankers in Rio on 3 August, Meirelles insisted that the proposed inflation-linked cap on future spending by states under the bill was "non-negotiable". These tough words came after Temer apparently agreed that the cap would not be applicable to state expenditure on pensions and retirement benefits. Temer reportedly told a furious Meirelles, along with the planning minister, Dyogo Oliveira, that this concession was essential to secure congressional support for the bill.

The incident underlines Temer's weak position; as interim president, his authority is not completely respected. At the same time, he has shown a tendency towards meddling (*see previous article*). But with municipal elections coming up in October, Temer is not in a position to 'impose' his authority – hence the concern within government, including in the finance ministry, for the impeachment process to be done and dusted and the new government confirmed as permanent. Until then, Meirelles too remains slightly handicapped in his ability to push for a more expansive fiscal reform, likely including politically unpopular tax measures.

The finance minister reassured his investor audience that the latest concessions would not alter the state debt bill fundamentally and that state legislatures henceforth would have to adhere to strict legal budget limits. He also issued a call for the federal congress, newly returned from recess, to approve the bill as soon as possible, so as to reinforce market confidence.

## Lula under uncomfortable scrutiny

On 29 July Federal Judge Ricardo Augusto Soares Leite ruled that former president Lula da Silva (2003-2011) should face charges for obstruction of justice, on the grounds that he sought to interfere in the massive federal investigation into corruption at the state-run oil firm, Petrobras, which since its launch two years ago has spread like wildfire to implicate several other of Brazil's major companies; and most of the country's main political parties. The investigation has turned up an apparently entrenched practice of bribery and political kickbacks at some of Brazil's biggest firms.

This judicial decision could put a major hurdle in the way of Lula's apparent ambitions to run for president again in 2018; he is 'honorary president' of the left-wing Partido dos Trabalhadores (PT) and remains very popular with the PT's core working class and labour union base. Lula claims a broad right-wing conspiracy to orchestrate a political coup in Brazil against the PT, which has been in power now since 2003.

Despite his continued support within the PT, Lula's reputation has taken a battering. He has already fought off a separate case in which prosecutors in the state of São Paulo sought to allege that he had links to construction companies implicated in corruption. Ahead of the latest ruling, Lula filed a complaint with the United Nations Commission on Human Rights, supported by a London-based human rights defender, barrister Geoffrey Robertson, arguing that the federal judge overseeing the Petrobras investigations, Sérgio Moro, had unfairly targeted him by releasing recordings of his private telephone conversations.

Lawyers for the former president rejected the ruling by Judge Soares, insisting that Lula had never interfered in the course of any investigation. This particular case rests on testimony from a former PT senator, Delcídio do Amaral, arrested in November 2015, who has since become a lynchpin of the Moro-led investigations, having turned state witness as part of a plea bargain. Amaral has alleged that Lula was involved in plans to bribe a senior Petrobras executive caught up in the scandal, Nestor Cerveró, to keep quiet about the full extent of the illicit goings on at the company.

Among five other defendants named by the judge on 29 July was André Esteves, a high-profile wealthy Brazilian banker (founder of the investment bank BTG Pactual), who, apparently, was prepared to put up the hush money and even help spirit Cerveró out of the country on a private plane. On a wiretap, Amaral was heard trying to convince Cerveró's son to get his father to cooperate with this deal. Lawyers for Esteves (who has not commented) denied the accusations and insisted that he had not committed any irregularities.

Also accused by Judge Soares were: Diogo Ferreira, Amaral's former cabinet chief and known as his 'fixer' when Amaral was a federal senator (Ferreira is already in jail, along with his former boss); a businessman, José Carlos Bumlai; his son, Maurício Bumlai; and a lawyer, Edson Ribeiro.

### 'Resta Um'

On 2 August federal police began the 33<sup>rd</sup> phase of 'Operation Car Wash', as the Petrobras corruption investigation is formally known. This phase, nicknamed 'One Left' ('Resta Um'), is focused on the construction giant Queiroz Galvão, which is accused, along with other companies, of forming a cartel that paid bribes to Petrobras in return for lucrative contracts. Some of these bribes were apparently transferred to politicians associated with the company. A former company executive, Ildefonso Colares Filho, and a serving director, Othon Zanoide de Moraes Filho, were arrested on 2 August on charges of the "systematic practice of illicit payments to directors and officials at Petrobras". Former company president, Dario de Queiroz Galvão Filho, was jailed in 2015.

### Queiroz Galvão and Lula

Brazilian authorities are investigating whether Queiroz Galvão funnelled R\$2.4m (US\$784m) to Lula's re-election campaign in 2006, according to Federal Prosecutor Carlos Fernando Lima. Investigators also claim to have video evidence implicating the company in the payment of R\$10m (US\$3m) in bribes to avoid a federal congressional enquiry into corruption at Petrobras back in 2009, when Lula was on his second term as president.

**Additional help**

Up to 2008, two types of basic State assistance were available for the poorest Chileans – a minimum pension guarantee for those who had made contributions for at least 20 years but had failed to accumulate the minimum amount necessary to retire (which covered 23% of the most impoverished citizens), and a small non-contributory means-tested benefit worth half the minimum pension. During her first term, in March 2008, President Michelle Bachelet replaced these two forms of State assistance with new ‘solidarity pensions’ (Pensiones Solidarias) for the poorest 60% of the population not covered by private pensions. Meanwhile those who received low pensions from AFPs received a monthly top up (Aporte Previsional Solidario).

**Bachelet under attack on new fronts**

Chile is facing its worst political and institutional crisis, aside from the 1973 coup d’état that overthrew President Salvador Allende (1970-1973). This was the conclusion of former president Ricardo Lagos (2000-2006) who, in a recent interview with a leading national daily, *La Tercera*, launched an attack on the Nueva Mayoría coalition government led by President Michelle Bachelet (which includes Lagos’s own Partido por la Democracia [PPD]). This was an allusion to the credibility crisis afflicting the political and business establishment alike stemming from various corruption scandals. His attack came as Bachelet is facing fresh unrest over another unfulfilled 2013 electoral pledge –overhauling the country’s current pension system which dates back to the military dictatorship led by General Augusto Pinochet [1973-1990]).

In the interview published on 27 July, Lagos said “there would seem to be a power vacuum”, warning that “I don’t know if the country can bear another year and a half of this crisis”. These remarks prompted a government response. The next day, the presidential spokesperson, Marcelo Díaz, said President Bachelet was addressing the “confidence crisis” afflicting Chile’s political system and many institutions. He cited as examples the implementation of a “probity agenda” – a reference to the series of anti-corruption initiatives launched last year by the Bachelet government. He claimed that this was already showing initial results, with “95% of contributions made to the [political] campaigns now [being] public – namely it is known who is the donor”. Díaz also highlighted efforts to “put into practice the constituent process” which, among other things, “seeks to construct a new constitutional and political framework” – an allusion to the process of reforming the 1980 constitution (which dates back to the Pinochet-era) in order to make it more democratic, the second phase of which began in April [[WR-16-16](#)].

There may well be electoral motives for Lagos’s remarks amid speculation that he may seek to secure the Nueva Mayoría presidential nomination ahead of the 2017 general elections. Lagos has since qualified his comments, saying that “we all bear responsibility for finding a formula to move forwards”.

**Calls for pension overhaul**

On 24 July 100,000 people protested in Santiago demanding an overhaul of the national pension system (which is administered by private pension fund administrators [AFPs]), while 750,000 people marched nationwide, according to the ‘Coordinadora No + AFP’ (‘No More AFP’) movement. The authorities put the Santiago figure at 50,000 but failed to give details for the rest of the country.

Overhauling the pension system has been a key pledge of the Bachelet government amid complaints that the current one offers low pension pay-outs. An executive-tabled initiative to set up a state-run AFP, to compete with its private counterparts, has been held up for two years and is now under discussion in a national congressional labour committee. When first presenting the initiative back in 2014, President Bachelet – who, during her first term in 2008, introduced new forms of State assistance (*see sidebar*) – maintained it would make the market more competitive. She also said it would guarantee the coverage of those not considered attractive clientele for the AFPs like independent workers; those on lower incomes; or those that work in isolated areas.

The issue of pensions made headlines last month after the executive announced it would revisit it “with urgency” although it has since backtracked. The government says it will send down the initiative to create a state-run AFP before it leaves office in 2018, but has ruled out further changes to the pension system, suggesting that the unrest is likely to continue.



**Macri deepens Mexico ties as Mercosur stumbles**

Argentina's President Mauricio Macri hosted his Mexican peer Enrique Peña Nieto in Buenos Aires this week. The 24-hour visit was the first by Peña Nieto to Argentina as a head of state, providing further confirmation of the rapid warming of relations between the Southern Common Market (Mercosur) and the Pacific Alliance trade bloc led by Mexico.

The visit served the purposes of both men. Peña Nieto lent explicit support to the Macri administration's bid to stage the G-20 summit in 2018 and Argentina's aspirations to join the Organisation for Economic Co-operation and Development (OECD). Chile and Mexico are the only other members of the OECD in Latin America and joining the exclusive club is Macri's goal to demonstrate to the world that Argentina is a stable and reliable trade and investment partner. Macri has taken the geopolitical decision to improve ties with the outward-looking Pacific Alliance, attending the bloc's last summit as an observer in June, at a time when Mercosur is facing one of its most serious internal crises over the assumption of the pro tempore presidency by Venezuela.

For Peña Nieto, expanding ties with Latin America makes sense at a time of great uncertainty for Mexico's future relations with its main trading partner pending the outcome of November's presidential elections in the US. Peña Nieto, who said he "shared a common vision of the world" with Macri, with shared challenges to fight drug-trafficking, and defend human rights and the environment, signed 17 accords, the most important of which was the "broadening and deepening" of the 'ACE 6', signed 20 years ago, since when it has had minimal commercial impact (*see sidebar*). This just days after Brazil's foreign minister, José Serra, visited Mexico to discuss deepening the 'ACE 53' bilateral trade accord [[WR-16-29](#)].

**Argentine-Mexican trade**

"Trade between Argentina and Mexico in one year is the equivalent of trade between Mexico and the US in one day; there is enormous potential to work more together," Argentina's cabinet chief, Marcos Peña, said. The peak in bilateral trade was US\$3bn in 2011, with a US\$896m trade deficit for Argentina. But restrictions imposed by the previous government led by Cristina Fernández (2007-2015) saw this fall to US\$2.35bn in 2014, down 25%.

**TRACKING TRENDS**

**BRAZIL-ARGENTINA | Surge in job losses.** On 27 July Brazil's ministry of work & social security (MTP), released the latest unemployment rate figures compiled by the national statistics institute (Ibge) in the third quarter of 2016. These showed that 11.3% or 11.6m economically active people in Brazil were unemployed during the third quarter, a 38.7% increase on the same period last year and up 4.5% on the first quarter of 2016. The second-quarter unemployment rate is also the highest ever since Brazil adopted a new unemployment methodology in 2012. The MTP also reported that 531,765 formal jobs were lost in the first half of 2016, the highest number in a first half since 2002. This brings the cumulative number of jobs lost from July 2015 to June 2016 to 1.77m.

The unemployment and job loss figures expose the serious impact Brazil's economic recession is having on the domestic labour market, which has posted net job losses for the past 15 months. Worryingly, the unemployment rate is expected to increase further this year, as local economists forecast that Brazil will post a GDP contraction of 3.20%, which if confirmed would mean that the country's economy would have contracted for two straight years for the first time since the 1930s.

But Brazil is not the only major South American economy that has to contend with rising unemployment and job losses as a result of an economic downturn. Argentina has also been struggling with low GDP growth in the past few years and this has been taking its toll on the labour market. The latest employment figures released by Argentina's labour ministry, also on 27 July, showed that the number of unemployed people increased by 106,944 between May 2015 and May 2016. This does not take into account jobs in the informal sector, in which 42% of Argentine workers are thought to be employed.

As in Brazil, the job losses come on the back of a general fall in economic activity. While Argentina's official economic figures remain unreliable, it is estimated that the domestic economy will contract by over 2% this year.

**Surge in violence puts government on back foot****Homicides**

Various states have seen a surge in violence since December 2012 when President Peña Nieto took office and June this year, according to official figures. This includes seven states where there has not traditionally been so much violence, most notably Colima, Baja California Sur, Tabasco, Hidalgo, Yucatán, Guanajuato and Querétaro. In Colima there were 287 murders in the whole of 2012, a figure which was eclipsed in just the first six months of 2016 with 347 murders.

In the space of just 72 hours over the last long weekend a total of 105 people were murdered in 17 Mexican states. While this was one of the most violent weekends of the entire year it was not an anomaly. There have been 9,413 violent murders in the first six months of the year. At this rate annual homicides would reach 18,826, reversing the 'gains' of the last two years and eclipsing the figure for every year since 2012, the final year of the bloody *sexenio* of former president Felipe Calderón (2006-2012), when there were 21,736 murders. Not only would this be a blow to the security strategy of the government led by President Enrique Peña Nieto but it would also seriously undermine the aspirations of his interior minister, Miguel Angel Osorio Chong, to secure the presidential candidacy of the federally ruling Partido Revolucionario Institucional (PRI) in 2018.

The worst violence of the long weekend was in the state of Guerrero where 24 people were killed over 72 hours, 11 of them in the tourist resort of Acapulco (*see box below*). Last June saw 195 people murdered in Guerrero, up nearly 40% on the same month last year, while in the first half of the year there have been 1,052 murders in the state, up from 943 in the same period last year.

A judge from the Guerrero municipality of Eduardo Neri, Juan Morales, was gunned down, as were seven members of the same family in their own house in Tepecoacuilco near the municipality of Iguala over the weekend. Five presumed criminals, meanwhile, were killed in a gunfight with the federal police (PF) in the municipality of Chilapa, where 3,750 members of the federal security forces were deployed last January in an attempt to arrest the leaders of two rival criminal gangs, Los Rojos and Los Ardillos, which have been engaged in a brutal turf war for control of the local opium poppy production and distribution trade, leading to scores of murders and disappearances.

Héctor Astudillo, the governor of Guerrero, held a meeting with 63 mayors in the state on 29 July to discuss the security crisis. The catalyst for the debate was the murder of the Guerrero mayor of Pungarabato, Ambrosio Soto, whose car was ambushed a week earlier while returning from the contiguous state of Michoacán [[WR-16-29](#)].

After Soto's murder, the national association of mayors (Anac) called on the interior ministry (Segob) to set in motion a security protocol to protect the country's mayors. On 2 August Anac requested an "urgent" meeting with Osorio Chong to discuss the matter after another mayor was gunned down, late the previous evening, in the central state of Puebla. José Santamaría Zavala, the mayor of Huehuetlán El Grande, and a member of the left-wing Movimiento Ciudadano, was driving home when gunmen opened fire on his SUV in an area known as Tonale. Santamaría's body was later found lying by the side of his vehicle, which was riddled with bullets.

It is not clear whether Santamaría was targeted by organised crime like Soto, who had refused to pay protection money out of the municipal budget. The police said the more likely motive for the murder was theft; thieves broke into Santamaría's house in September 2015, stealing M\$1m (US\$53,000) in cash. But the pressure being brought to bear on municipal authorities by organised crime has been a growing concern for years, and lies behind the federal government's protracted efforts to role out a single command ('Mando

## **Pemex**

The state-run oil company Pemex has revealed the terms of its first proposed joint venture, farming out a 55% stake in the deep water Trion block, located in the Perdido area in the Gulf of Mexico near the US border.

Pemex has chosen the Trion block as the first project to farm out to develop untapped resources of an estimated 480m barrels. It will require some US\$11bn of investment, Pemex's chief executive officer, José Antonio González Anaya, said. The auction will take place in December.

único') security policy. It was brought into stark relief by the murder and incineration of 10 people in the municipality of Cuitzeo in northern Michoacán, near the border with the state of Guanajuato, on 29 July.

The Cuitzeo murders were allegedly carried out by the municipal police on the orders of Juan Carlos Arreygue Núñez, the mayor of the adjacent municipality of Alvaro Obregón, located just outside of the state capital Morelia. The state governor, Silvano Aureoles, said that interviews with eyewitnesses "point directly to the mayor". The eyewitnesses said that the 10 men were picked up from a local grocery store and driven away in three police cars. Their charred remains were found in the back of a truck the following day. Arreygue Núñez was arrested in connection with the murders, along with four municipal police officers who admitted to following the mayor's orders.

Aureoles said the head of the national intelligence service (Cisen) and the federal attorney general's office (PGR) had found evidence of Arreygue's links to organised crime, just like Luis Abarca, the mayor of Iguala who was arrested on suspicion of having ordered the municipal police to round up 43 trainee teachers in September 2014 and hand them over to the criminal gang Guerreros Unidos. Aureoles's left-wing Partido de la Revolución Democrática (PRD) was warned by the federal authorities that Arreygue had suspected links to the drug-trafficking organisation (DTO) Los Caballeros Templarios (LCT) and the party dropped him as their chosen mayoral candidate in elections last year. But the Partido del Trabajo (PT) did not show the same scruples and Arreygue duly won the elections for the small left-wing party.

### **Pearl of the Pacific loses its lustre**

There were more murders in the tourist resort of Acapulco over the weekend than anywhere else in Mexico. The city known as the 'Pearl of the Pacific' has been tarnished by escalating violence in recent years; just as Guerrero has become Mexico's most violent state, the murder rate in Acapulco has reached 104.62 per 100,000 inhabitants, making it the fourth most dangerous city in the world after Caracas (Venezuela); San Pedro Sula (Honduras); and San Salvador (El Salvador).

Eight people were murdered in Acapulco on 31 July, and a further three bodies were found in hidden graves near the port by the national gendarmerie. In a series of separate incidents, three people were gunned down in a restaurant after armed men burst in and opened fire. Security forces later discovered two bodies in the boot of a car and one on the rear seat, all showing signs of torture. Finally, two young men were murdered, one in his own home and one while driving in his car.

Until recently the violence in Acapulco had been confined to the inner city and had not penetrated the beachfront areas, meaning that the impact on tourism was not quite as severe as it might have been. But that is no longer the case. Recent murders committed in broad daylight in the heart of the tourist area have been very damaging for tourism, with a 40% decline in hotel occupancy so far this year.

The governor of Guerrero, Héctor Astudillo, sought to restore security to the city by deploying security forces to patrol the beaches, but the sight of heavily armed men is not conducive to a relaxing break. The federal government, meanwhile, is proceeding with plans for a new terminal at Acapulco's airport. The tourism minister, Enrique de la Madrid, revealed that the M\$547m (US\$28.8m) construction work began on 13 July.

The communications and transport minister, Gerardo Ruíz Esparza, said that the new "modern and efficient" airport would allow Acapulco to welcome 1.3m visitors a year, an ambitious figure at the best of times, amounting to 500,000 more than in 2015. Ruíz also said that the 25% reduction in motorway tolls would be retained on the Autopista del Sol until the end of the year in order to try and boost tourism in Acapulco. The fact that this motorway has been blocked on several occasions by protesting teachers from the union Coordinadora Nacional de Trabajadores de la Educación (CNTE), however, has compounded the tourist resort's problems.



## POSTSCRIPT

### Quotes of the week

“ [President Daniel Ortega has shown his true face as a dictator [by ordering] the dismissal of 28 opposition deputies that refused to bow down to him or to sell out.”

*Dora María Téllez, a former guerrilla commander for Nicaragua's FSLN, and member of the dissident Movimiento Renovador Sandinista (MRS) party.*

“ Rest assured I am going to do what has to be done to ensure that there is no [recall] referendum here, working within the constitution and the law.”

*Venezuelan deputy Diosdado Cabello, vice-president of the ruling PSUV.*

“ The first thing you need to do if you believe there are two worlds is go and see a psychiatrist.”

*Uruguay's President Tabaré Vázquez responds to criticism from Senator Luis Alberto Lacalle Pou, leader of the opposition Partido Nacional, who had accused him of living in “a parallel world” apart from “the world of ordinary Uruguayans”.*

### Argentina's Macri battling to outflank trade unions

The Argentine government led by President Mauricio Macri made two massive announcements in the space of a matter of hours on 2 August designed to win over opposition protest movements, or at least weaken their resolve ahead of a planned general strike later this month. Firstly, the interior minister, Rogelio Frigerio, struck an accord with governors of 20 of the country's 23 provinces and the Capital Federal to return 15% of revenue-sharing funds withheld from the provinces by the social security fund (Anses) since 1992, some AR\$310bn (US\$20.60bn). Secondly, Macri unveiled a substantial healthcare reform which will give a major financial boost to schemes run by the country's trade unions.

Frigerio reached an accord with provincial governors last May which broadly outlined the reimbursement of the so-called 'co-participation funds'. In this week's meeting in the presidential residence Los Olivos he signed a follow-up accord providing the requisite details. The federal government will repay AR\$37.13bn (US\$2.47bn) to the provinces this year; this figure will increase year by year to AR\$85.92bn (US\$5.71bn) by 2020 when repayment will be complete. This should ensure support for the government's legislative initiatives in the federal senate over which provincial governors wield significant influence.

Jubilant governors later attended a meeting in the presidential palace Casa Rosada, along with prominent trade union leaders, where President Macri announced a healthcare reform, including the reimbursement of funds to *obras sociales* ('social insurance') schemes organised by the unions to which members are obliged to pay; 24m people belong to these schemes. The trade unions will benefit directly from AR\$2.7bn to pay for past healthcare costs. A further AR\$14bn will go towards purchasing sovereign bonds for healthcare purposes; AR\$4.5bn to an emergency fund for epidemics and prevention; and AR\$8bn will finance a free universal healthcare plan designed to benefit a further 15m people.

The timing of the two gestures was deliberate. On 22 August the three disparate strands of the country's main trade union, Confederación General del Trabajo (CGT), will vote to re-unify under a triumvirate. They are promising a massive general strike and protest march in central Buenos Aires two days afterwards over public sector dismissals, inflation, and energy price increases.

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