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Mexico braced for violence after abduction of drug kingpin's son

There is a risk that the Mexican state of Jalisco could imminently be engulfed in violence. On 15 August a group of men were abducted from a restaurant in Puerto Vallarta, one of the state's top beach resorts, by seven hitmen. Doubt surrounds the identity of the kidnapped men and who was behind the crime, but the authorities swiftly concluded that it was part of a feud between drug trafficking organisations (DTOs). The next day it was confirmed that one of the abducted men was a son of the drug kingpin Joaquín 'El Chapo' Guzmán Loera, the imprisoned leader of the Sinaloa/Pacífico DTO. The *Cártel Jalisco Nueva Generación* (CJNG) is being held responsible by the state authorities. If true, this could lead to an explosion of violence between Mexico's two largest DTOs.

The Jalisco state attorney general, Eduardo Almaguer, initially reported that between 10 and 12 men were kidnapped from an upscale restaurant, 'La Leche', located in the heart of the tourist area of Puerto Vallarta, shortly after midnight on 15 August. This figure was revised down to six the following day. Almaguer said that there were also nine women in the group who were not abducted, although their whereabouts are unknown.

Almaguer said that a close inspection of five abandoned cars in the restaurant car park belonging to the abducted men had helped to reveal the identity of four of the men, including one of Guzmán's sons, Jesús Alfredo Guzmán Salazar, 29. The fact that the cars had false number plates and several of the abductees had false identities has complicated the task of identifying them. The national daily *El Universal* cited unnamed sources at the state attorney general's office claiming that Guzmán's eldest son, Iván Archivaldo Guzmán Salazar, 33, was among those taken but there is also speculation that he managed to escape the restaurant seconds beforehand.

There are other major doubts surrounding the episode, foremost among which is how the group containing Guzmán Salazar could have been so negligent of their own security as to allow armed men to kidnap them without any shots being fired. What happened to the nine women? Why were they left unharmed? The whole operation was very clinical, but the lack of bloodshed is puzzling. The CJNG is a byword for brutal violence against other gangs and the security forces, taking down a military helicopter in May 2015, killing six soldiers.

The dispute between Sinaloa/Pacífico and the CJNG for control of the Pacific coastal corridor has escalated in recent months. The two DTOs have been vying for control of Colima this year, for instance, which explains the record 41 violent homicides in one month in the small state last February. The CJNG has expanded into eight states to become the largest DTO in Mexico, taking advantage of the capture of leaders of rival DTOs. It could be that the CJNG

Damage to tourism

“To the residents and tourists of Puerto Vallarta, I inform you that we have reinforced security so that you can go on as usual,” the governor of Jalisco, Aristóteles Sandoval, said after the announcement of the six abductions in the heart of the tourist zone. The move by Sandoval, a member of the federally ruling Partido Revolucionario Institucional (PRI), to reassure tourists comes amid mounting concern for the image of Mexico’s tourism sector following the murder of eight people in Acapulco, the premier tourist resort in the state of Guerrero, just two weeks earlier.

has been further emboldened since Guzmán’s recapture last January to make a major show of strength. It is worth noting that last June, armed men, suspected to belong to the Beltrán Leyva DTO, ransacked the house of Guzmán’s mother, Consuelo Loera, in the remote Sinaloa town of La Tuna, where the kingpin was raised.

The bloodless nature of the ‘La Leche’ operation also raises the possibility, not advanced by Almaguer, that the abductions could be part of a split within the Sinaloa/Pacífico DTO. There are reports of a growing rivalry, for instance, between Ismael ‘El Mayo’ Zambada García, the head of the DTO, and Guzmán’s sons who are far too active on social media for his tastes. In the meantime, some 300 members of the army, the navy and the federal police (PF) launched special operations on the border between Jalisco and Nayarit state on 17 August to try and locate the six abductees.

The big concern for the government led by President Enrique Peña Nieto is that bloody retribution could ensue if this is a direct challenge to Sinaloa/Pacífico from the CJNG or if it is part of an internal struggle in Sinaloa/Pacífico. An escalation in violence now would wipe out any gains that the Peña Nieto administration might have made in its first two years in power: annual homicides are already on course to surpass every year since 2012 when former president Felipe Calderón (2006-2012) left office. And certain states are seeing notable increases in violence: there were 611 homicides in Jalisco in the first half of this year, for instance, up by 100 on the same period last year.

Peña Nieto’s popularity plunges

The government’s failure to get a grip on insecurity, combined with popular disillusionment over public corruption, have played a large part in Peña Nieto’s approval rating sinking to the lowest level recorded for any head of state since Ernesto Zedillo (1994-2000) in 1995, at the height of the Tequila crisis, after the sharp devaluation of the Mexican peso against the US dollar. Peña Nieto enjoys an approval rating of just 23%, and a disapproval rating of 74%, according to a survey carried out for the national daily *Reforma* published on 11 August. A massive 76% of respondents felt the country was on “the wrong path”, while a mere 10% felt it was on “the right path”.

Speaking in an interview on a nightly news channel on the television network Televisa, Peña Nieto said he was unperturbed by his approval rating. He argued that he did not run for office “to win a popularity contest” and maintained that his government’s flagship reforms, to the energy and education sectors, had required “going against interest groups, overcoming resistance and privileges”. The resistance has not yet been overcome, however, as Mexico’s second largest teachers’ union Coordinadora Nacional de Trabajadores de la Educación (CNTE) remains staunchly opposed to the education reform.

During the interview, Peña Nieto stressed that his government’s openness to dialogue with the CNTE should not be confused with a willingness to back down on the seminal education reform. He insisted that if the dialogue process with the CNTE came to nothing, and if business continued to suffer from roadblocks, he would have “no reservations whatsoever” about using the security forces to restore order and ensure the rule of law prevails.

Dialogue between officials from the federal interior ministry (Segob) and the CNTE concluded late on 16 August without any agreements having been struck. The Segob urged teachers to go back to classes on 22 August, saying that this would confirm their commitment to a negotiated solution to their differences. Rubén Nuñez, the secretary general of the CNTE’s combative Sección 22 branch in the southern state of Oaxaca, who was released from prison this week after his arrest last June on charges of embezzlement, said he would join in the dialogue process but was adamant that the education reform must be repealed.

Massive march demands governor's resignation

A major march took place on 16 August to demand the resignation of the governor of the state of Morelos, Graco Ramírez, and the restoration of public security. Some 40,000 people took to the streets in the state capital Cuernavaca with a range of grievances against Ramírez, a presidential aspirant for the left-wing Partido de la Revolución Democrática (PRD). Uppermost, however, was insecurity. Given that Morelos is not even one of the most violent states in Mexico, the concern for the federal government led by President Enrique Peña Nieto is that this march could have a ripple effect across the country.

One of the catalysts for the march was the murder of a lawyer, Rodolfo García Aragón, last May, the fifteenth lawyer to be killed since Ramírez came to power in 2012. García's colleagues subsequently formed the Frente Social Morelense, which organised a protest convoy of cars to the federal interior ministry (Segob) in the Ciudad de México on 24 May to try and persuade the Peña Nieto administration to send federal forces to Cuernavaca and the rest of the state to combat insecurity.

The Frente Social Morelense coordinated the protest march against Ramírez this week in conjunction with the Universidad Estatal Autónoma de Morelos (UAEM), whose rectorate called on the state government to pay a debt of nearly US\$50m of investment that has never been carried out, pensions and Christmas bonuses, and the human-rights group Movimiento por la Paz con Justicia y Dignidad, which was founded by Javier Sicilia, the well-known poet and peace activist, who joined the protest. Sicilia's son was killed by rogue municipal police officers in Morelos in 2011.

TRACKING TRENDS

MEXICO | FDI on the rise. Mexico received US\$14.4bn in net foreign direct investment (FDI) in the first half of 2016, the economy ministry (SE) reported on 16 August, a 4.6% increase on the same period in 2015. The result reflects a gross inflow of US\$17bn in assets and liabilities from non-resident investors less US\$2.6bn in outward transfers of assets and liabilities to this group. Of the US\$14.4bn total, 43.5% represented reinvestment of earnings, 33.3% new investments and 23.2% internal transfers between non-resident and resident operations of multinational enterprises. In terms of the country source, 35% originated from the US, 14% from Israel, 12.9% from Spain, 7.6% from Germany, 5.9% from Canada, and the remaining 24.6% from 50 other countries.

The increase in FDI is consistent with falls in the Mexican peso's value against the US dollar in 2016, increasing Mexico's attractiveness externally as a destination for investment. The peso has fallen sharply in comparison with the dollar since the start of the year. By May the peso had lost 7% of its value against the dollar before it started appreciating.

The positive news surrounding FDI has been countered by the gloomy employment figures for July. The Instituto Mexicano del Seguro Social (IMSS) social security institute reported on 15 August that although 47,509 jobs in the formal sector were created in July, 25,449 formal sector jobs were also lost. Meanwhile, for the first time since the start of the year, half of Mexico's 32 states reported a loss in formal job creation in July (*see sidebar*).

Despite these negative figures, the remaining half of Mexico's states registered an increase in formal employment, a trend led by the Ciudad de México, which recorded the creation of an additional 18,459 formal jobs.

Veracruz

The state worst affected by a loss in formal job creation was Veracruz, which witnessed a loss of 4,560 formal jobs in July. As a state heavily reliant on Mexico's oil industry, Veracruz has suffered from the recent fall in international oil prices, leading to a reduction in economic activity there.

Minimum wage breaches reality

President Maduro decreed a 50% increase in the minimum wage, effective as of 1 September, also applicable to pension payments. With a similar increase in the supplementary 'food ticket' (cesta alimentaria), the monthly basic income will double from Bs33,636 to Bs65,056, which at the black market exchange rate, now trading at just over Bs1,000/US\$1, amounts to about US\$65. At the secondary floating Simadi rate (currently hovering at around Bs644.7), it is just over US\$100. For anyone fortunate enough to be able to use the fixed main exchange rate of Bs11/US\$1, reserved for imports of essential goods by the state (namely government officials), it is over US\$6,500, illustrating just how badly distorted the exchange rate system has become.

ANDEAN COUNTRIES

VENEZUELA | POLITICS

López sentence appeal thrown out

The French government has added its voice to the several international expressions of concern following the Venezuelan judicial ruling to deny an appeal by the jailed opposition leader, Leopoldo López, against the almost-14-year prison sentence handed down to him in September 2015 for his role in anti-government protests in February 2014.

A spokesperson for the French foreign ministry on 16 August said that France was following "with attention" the situation in Venezuela and expressed concern about the ruling, issued five days earlier. The spokesperson urged "respect for the rule of law and dialogue between the government and the opposition", noting that Venezuela has been going through "strong tensions for several months".

Spain's foreign minister, José Manuel García-Margallo, had even harsher words, expressing "serious doubts about the rule of law" in Venezuela following the ruling against López. García-Margallo accused the government led by President Nicolás Maduro of "appearing bent upon dynamiting all the bridges of understanding with the democratic opposition, blinding any possibility of peacefully resolving a conflict that is devastating the country and causing enormous suffering to Venezuelan citizens". The secretary general of the Organization of American States (OAS), Luis Almagro, expressed similar frustration at the ruling, noting that it was a "missed opportunity for reconciliation" in Venezuela.

On 15 August, the US State Department's Press Office Director, Elizabeth Trudeau, issued an unusually strong statement at the top of the daily press briefing, emphasising that the US was "deeply concerned by the Venezuelan court of appeals decision to allow the miscarriage of justice to continue against political prisoner Leopoldo Lopez". She added, "The United States calls on the Government of Venezuela to guarantee the rights of Mr. Lopez and all political prisoners to due process, freedom from arbitrary arrest, and a fair, public, and impartial trial consistent with the American Declaration of the Rights and Duties of Man, the Inter-American Democratic Charter, the International Covenant on Civil and Political Rights, and Venezuela's constitution. Rather than silencing peaceful democratic dissent, now is the time for Venezuela's leaders to listen to diverse voices and work together to find solutions to the political, social, and economic challenges facing the Venezuelan people."

An appeal to the UN for justice

The opposition Mesa de la Unidad Democrática (MUD) and the defence team for López now say that they intend to take the case to the United Nations (UN), which in recent months has also expressed concern about the situation in Venezuela. On a recent visit to Argentina, the UN secretary general, Ban Ki-moon, attributed what he said was a "serious crisis" in Venezuela to "political instability". Venezuela's ambassador to the UN, Rafael Ramírez, rejected those comments as "hostile".

'1-S' takes on added urgency

López himself has now urged Venezuelans to turn out in force for the peaceful demonstrations in Caracas called by the MUD for 1 September to push for a recall referendum. While a call to 'revoke hunger' is the MUD's

Annual inflation heading towards 500%

Inflation continues to run in triple digits, breaching 487% year-on-year in July according to the daily *El Nacional*, citing anonymous central bank sources who suggested that the monthly rate of 22.3% was the highest ever registered for the month. The president of the polling firm Datanálisis, Luis Vicente León, observes that the Maduro government's "compulsive increases" in the minimum wage, without any measures to tackle inflation, is leading to 'monetary illusion', a phenomenon whereby money loses all intrinsic value for people and is worth only what they can buy in a particular instant.

main banner for the demonstration, the López ruling adds to the long list of grievances against the Maduro government.

Student organisations are mobilising to build turnout for 1 September. Throughout the life of the *chavista* government, Venezuelan students have time and time again managed to exert some serious (and often effective) pressure on the government at key moments, often filling a vacuum left by an ineffective and fractious opposition.

The president of the Federación de Centros Universitarios de la Universidad Central de Venezuela (FCU-UCV), Hasler Iglesias, said on 15 August that students were ratcheting up activity ahead of the march and would be "first in line to defend what is a constitutional right, and not a favour from the national electoral council". He also called on the state security forces to guarantee the rights of peaceful protestors and "not to make a mistake". Iglesias noted that students and young people are working to ensure a turnout of over 1m people for '1-S', as the march has been dubbed, saying that over 5,000 students from across the country planned to travel to Caracas.

Meanwhile, the MUD's Henrique Capriles Radonski again warned the Venezuelan electoral authority that it is playing with fire in its refusal to progress the recall referendum process. "What is Sra Lucena playing at? A social explosion?" he demanded, in reference to the head of the national electoral council (CNE), Tibusay Lucena.

Writing on the wall for Venezuela's 17-year Socialist experiment

Latest polls underline the urgency on the part of the opposition to hold a recall referendum now and the equal determination on the part of the government and the ruling Partido Socialista Unido de Venezuela (PSUV) to avoid one for as long as possible.

According to a Datanálisis poll taken between 13 and 21 July, President Maduro's approval rating has sunk to a nine-month low of 21.1%, falling back to its previous October 2015 nadir. Only 22.1% believed Maduro should finish his term to early 2019, while over three quarters ranked his performance in office negatively. An overwhelming majority of the 1,000 respondents – 93.6% – said the country was in a bad situation. The polling error margin was 3.04%, according to Datanálisis.

Meanwhile, according to the latest (July) Estudio de Opinión Pública Nacional, a quarterly omnibus survey by the polling firm Keller y Asociados, 93% of Venezuelans consider the situation in the country to be 'regular-to-bad', 'bad' or 'very bad'. Notably, the percentage of self-identified *chavistas* with a negative view was 72%, up from 36% in the fourth quarter of 2015.

A full three quarters of respondents felt that the late Hugo Chávez (1999-2013) erred in choosing Maduro as his preferred successor. Just over four fifths (81%) felt that the best solution to the crisis was the exit of Maduro, new elections and change of politics, while 73% would vote to remove him in recall referendum. Excluding abstentions and undecideds, the valid vote to recall Maduro could rise to 83%, or 16m, which is more than double the 7.59m that voted to elect him president in April 2013.

Notably, the Keller poll pricks the myth of military efficiency, with 77% of respondents feeling that the military's management of food distribution, electricity, basic industries, 12 governorships, and 10 ministries, along with other charges, was 'just as bad' or 'worse' than civilian management. Among *chavistas*, that sentiment was a sizeable 62%, rising to 81% among independents and 95% among opposition supporters.

And as for the US being to blame for the country's ills, none of the respondents at all agreed (0%), while only 1% blamed 'capitalism' and 2% 'the opposition'. By contrast, a combined 79% blamed the government (41%), Maduro (23%), Chávez (10%), 21st Century Socialism (3%), *chavismo* (1%), or the military (1%). And just 2% blamed each of oil prices and the private sector.

Morales faces fresh unrest from miners

Last week Bolivia's national confederation of mining cooperatives (Fencomin) paralysed the country, staging protests and blockades as part of efforts to get the Movimiento al Socialismo (MAS) government led by President Evo Morales to agree to a list of 10 demands. While the MAS government earlier this year hailed the recovery of the mining sector, the latest unrest comes amid continued economic slowdown, particularly in the all-important hydrocarbons sector as a result of the slump in commodities' prices.

On 10 August Fencomin staged blockades which affected transport links in seven of Bolivia's nine departments – La Paz, Oruro, Chuquisaca, Potosí, Cochabamba, Santa Cruz, and Tarija. Ten people have so far been jailed, while according to government reports 105 police officials were hospitalised as a result of clashes between protesters and security officials.

Fencomin is pushing for a 10-point list of demands, chief of which is the repeal of recent modifications to legislation on cooperatives, which it complains would strengthen unions within the sector. The MAS government, however, maintains that the changes to the legislation do not affect the mining cooperatives and so there is no justification for the protests and blockades.

On 12 August negotiations began aimed at ending the unrest. Among others, those taking part included: ministers for the presidency, interior and mining (Juan Ramón Quintana, Carlos Romero and César Navarro respectively), along with Fencomin president Carlos Mamani. Yet at the time of writing, no deal had been reached. No doubt bolstered by the fact that Guido Mitma, the executive secretary of Bolivia's umbrella union Central Obrera Boliviana (COB), came out against Fencomin's protest measures, the MAS government continues to reject the sector's demands. As well as dismissing demands for the repeal of the cooperative legislation as "irrational", top officials like Romero have criticised other proposals. On 14 August he told reporters that the 10-point list masked demands put forward by "the most privileged" to the detriment of the state. He gave as examples the demands for zero tariffs on the import of machinery and equipment; state subsidies for the consumption of electricity; the elimination of environmental obligations; and the possibility of Fencomin being able to ink association contracts with foreign companies.

The show of unrest nonetheless comes amid signs that mining is suffering less than hydrocarbons – traditionally Bolivia's largest export sector. On 8 August the local private-sector lobby IBCE released its latest economic figures, which showed that in the first half of 2016, Bolivia's exports reached US\$3.3bn, down 28% on the same period in 2015. While mining exports were still down 7% in value terms and 5% in volume terms (to reach US\$1.39bn and 751,867 tonnes respectively), compared with the same period in 2015, hydrocarbons exports were down 50% in value terms and 8% in volume terms to reach US\$1.12bn and 10.9m t respectively.

On 6 July the mining ministry published a report citing national statistics institute (INE) figures which showed that Bolivia's GDP grew by 4.93% in the first quarter of 2016, driven by mining (10.22%) followed by financial services (7.98%) and electricity, gas & water (6.86%). Another mining ministry report, published on 30 July, highlights that prices of zinc were up 47% on 20 July compared with January while gold was up 24%; silver, 40%; lead, 9%; copper, 6%; and tin, 20%. According to a February 2016 report by IBCE, zinc accounted for 30% of Bolivia's mineral exports in 2015, followed by gold (25%) and silver and its concentrates (20%).

Royalties

According to the latest (June 2016) figures from the mining ministry, mining royalties reached US\$124.2m in 2015, down from US\$162.6m in 2014. Of the 2015 figure, the private sector accounted for 74.1% of royalties followed by cooperatives (19.5%) and the state (6.4%).

Velarde ratified at central bank

On 17 August Peru's new president, Pedro Pablo Kuczynski, ratified Julio Velarde in his post as head of Peru's central bank (BCRP) for a new five-year period. Prior to assuming office in late July, Kuczynski had already said that he planned to retain the long-serving Velarde, who was first appointed at the head of the BCRP in 2006 by former president Alan García (1985-1990; 2006-2011) and later retained by Ollanta Humala (2011-2016). While Kuczynski's decision is a vote of confidence for Velarde and should help to maintain investor confidence, the new president also decided to replace three BCRP board members.

PERU | Rate of economic growth slows. The economy grew by 3.63% in June, according to the latest figures from Peru's national statistics institute (Inei), released on 15 August, down on the previous month. The June figure is marginally lower than the consensus market forecast of 3.7%.

Inei director Aníbal Sánchez Aguilar said that "growth in national production was determined by the favourable evolution of most economic sectors, among which mining & hydrocarbons, telecommunications, trade, and electricity & water stand out, explaining around 73% of this result; while the agriculture, fishing, manufacturing and construction sectors were negative".

According to the Inei, activity in the mining & hydrocarbons sector increased by 15.82%; activity in the telecommunications sector increased by 9.50%; and the electricity & water sector activity increased by 6.30%. By contrast, activity in the construction sector fell by 3.78% with respect to the same month last year. This is the first fall in construction sector activity for the past four months and Inei attributed it to the conclusion of major private works and a decrease in investment in public infrastructure projects.

The June growth figures mean that Peru has now posted 83 consecutive months of positive economic growth, and has brought the cumulative growth for the first half of the year to 4.08% and to 4.04% in the past 12 months. All of this suggests that Peru is still on course to reach the government's 4% year-end growth forecast after posting 3.3% growth last year.

BOLIVIA | First lithium carbonate exports to China. On 10 August Bolivia made its first export of lithium carbonate to China. The first 9.3 tonnes (t) of the mineral were extracted from a pilot plant installed in the Salar de Uyuni salt flats located in Potosí department and sold at a total cost of B\$500,000 (US\$70,000) according to Bolivia's mining ministry.

Alberto Echazú, the head of evaporate resources at the ministry, said that the Chinese firm Machinery Engineering Corporation purchased the lithium carbonate shipment for the manufacture of lithium batteries for bicycles and automobiles, after certifying the purity of the mineral. According to Echazú, China requires a total of 4t of lithium carbonate per month and Machinery Engineering Corporation has already requested an additional 16t shipment. Echazú said that "this shows that we are working correctly", even though he admitted that Bolivia's pilot plant cannot currently meet that requirement.

President Evo Morales maintains that industrialisation in Bolivia will be strengthened by 2020 with the future production of urea, ammonia, lithium and electricity. The government has also said that it aims to find new commercial markets for lithium and that it expects that by 2018 Bolivia will be able to produce around 50,000t of lithium carbonate on the back of a US\$617m planned investment programme. The increase in international prices for lithium is encouraging for Bolivia, which holds 80% of world lithium reserves, most of it in the Salar de Uyuni.

ECUADOR | Fibre optic cable manufacturing plant. Ecuador's Vice-President Jorge Glas inaugurated the country's first fibre optic cable manufacturing plant on 17 August. Glas, who was accompanied by China's ambassador to Ecuador, Wang Yulin, and authorities in the telecommunications sector, said that the new Chinese-owned 'LatamFiberhome' plant located in the city of Durán, Guayas province, would allow Ecuador to produce fibre optic cable for its domestic market and to export to all of Latin America. According to Yulin, the joint venture between China's Fiberhome Technologies and Ecuador's Holding Telconet, which have made an initial investment of US\$20m, will produce 72,000km of fibre optic cable per year, generating 750 direct and indirect jobs.

Glas said that the plant would employ local workers and would allow for technology transfer. The cables will also be made with local materials, which Glas said would generate national savings of US\$15m a year through import substitution, as well as contributing to changing the productive matrix promoted by the government.

Between 2010 and 2015 China was Ecuador's main supplier of fibre optic cable but with this factory 40% of imports will be replaced by national production. This strategic alliance allows "LatamFiberHome" to be exempt from import taxes in excess of US\$110,000 for the import of machinery, equipment, and gas generators, to begin operations.

Macri heckling gets out of hand

It is not unusual for a head of state to be subjected to booing and hissing and President Mauricio Macri got his fair share during the presentation of his government's new national housing plan at an event in Mar del Plata in the province of Buenos Aires on 12 August. But this reached a new level when a group of people directed insults at Macri as he speedily left the event after a short speech. There were reports of rocks being thrown at the cars in his departing motorcade. A clash between police and protesters ensued. The political violence was widely condemned but it underscores the need for the Macri administration to register some tangible economic achievements as soon as possible, and above all to rein in inflation.

President Macri attended the event in Mar del Plata together with the governor of Buenos Aires, María Eugenia Vidal, who belongs to his ruling centre-right Propuesta Republicana (PRO). The objective of the housing plan is to overhaul deprived areas, not just through the construction of new houses but also basic infrastructure such as sewerage and drinking water. Its presentation was designed to show that the government is not just governing for big business but is also committed to improving the lot of disadvantaged Argentines who are feeling the pinch as a result of some of the painful economic policies it has implemented since last December.

"We've advanced a lot as a country, now we're a much more peaceful and democratic country, where there is a lot more dialogue," the cabinet chief, Marcos Peña, said. Peña argued that the clashes in Mar del Plata were a reflection of a "political culture" that had been established in Argentina under 12 years of kirchnerista governments. He said that the Frente para la Victoria (FPV, kirchneristas) faction of the main opposition Partido Justicialista (PJ, Peronists) should make it clear whether it supported "violence and intolerance" or "democracy and peace".

Miguel Angel Pichetto, the head of the FPV in the federal senate, responded to Peña by condemning the aggression against Macri, which he said had been carried out by "radical groups". He pointedly distanced the PJ from the violence, which, he insisted, "does not represent Peronism at all" and should be denounced by all political parties. Pichetto is the figurehead of the more moderate wing of the FPV. The more radical wing has kept a studied silence.

Pichetto went on to maintain that there were good motives for peaceful protests against the government right now but violence was "inexcusable". Tackling these "motives" is the principal challenge of the Macri administration. The finance minister, Alfonso Prat-Gay, claimed last week that inflation was lower in June than any month so far this year and would fall again in July. He also said that by the end of 2016 Argentina should show "signs of growth".

Prat-Gay argued that "the main silent investor", the agriculture sector, had been reactivated, although he admitted that certain other sectors, such as steel and the car industry, were yet to shake off their lethargy. "Integration into the world has a beneficial first effect, which is that we avoided a [fiscal] adjustment and the path we were heading straight down which Venezuela is on," Prat-Gay said (*see sidebar*).

One of the main drivers of inflation in the first half of the year was the sharp increase in energy tariffs implemented by Juan José Aranguren, the energy

Venezuela

Argentina's finance minister, Alfonso Prat-Gay, waded into the fierce debate raging within the Southern Common Market (Mercosur) over whether Venezuela should be permitted to exercise the pro tempore presidency of the bloc. Prat-Gay expressed his support for Mercosur as an institution but censured the Venezuelan government for "saying it is part of it but complying with virtually none of the obligations of a member country".

Health reform

President Mauricio Macri has elaborated on the health reform he presented in the presidential palace, Casa Rosada, earlier this month [WR-16-30]. “Wherever you look, the system doesn’t fulfil the basic principles of health rights, which include timely, acceptable and accessible access to health services of sufficient quality,” Macri said in a message on his Facebook account and published in local papers. Macri said the new system was “revolutionary”, a carefully chosen word more commonly co-opted by ‘progressive’ leftist governments, but he insisted it warranted the tag because it included a universal healthcare plan designed to benefit 15m people. “Health is the most important thing; without health nothing else matters,” Macri said.

and mining minister. Aranguren defended the increases during a meeting with commissions from the federal lower chamber of congress on 16 August. The political opposition criticised his decision to raise the tariffs so dramatically. Aranguren blamed the situation he had inherited after 12 years of kirchnerista governments: “Argentina went from having abundant cheap domestic energy to scarce, imported and expensive energy”.

High inflation and energy tariffs are taking a toll on Macri’s popularity. Just 46% of Argentines approve of Macri, the lowest level of his eight months in power, according to a survey conducted this week by Poliarquía Consultores for the national daily *La Nación*, down four percentage points on July. The approval rating of Macri’s predecessor former president Cristina Fernández (2007-2015), it is worth noting, climbed by three points but remains some way below Macri’s on 31%.

BRAZIL | POLITICS

Electoral alliances ever more complex

Mayoral election campaigns in Brazilian cities began this week under new regulations on campaign donations. With politicians finding it more difficult to gain access to campaign funds, Brazil’s already intricate system of inter-party alliances became even more complex. The race for the government of the city of São Paulo is a telling example – a preview of what Brazilian voters will have to deal with in the next general elections in 2018, in which a new president will be chosen.

The municipal campaigns started on 16 August and will go on until 2 October, with a further three weeks of campaigning, until 30 October, in municipalities where a second-round vote will be held if no candidate reaches an outright majority. The elections will be marked by new regulations on campaign donations, which were approved by the federal congress last year in light of the corruption scandals uncovered in state companies, with a large part of embezzled funds going to fund Brazilian parties irregularly.

Under the new rules, campaign time has been halved to 45 days, while the time and funds for television and radio marketing – which are compulsory for Brazilian broadcasters – have also been cut. Significantly, companies are now barred from making donations, in effect slashing the budget of political campaigns since personal donations to politicians are extremely rare in Brazil.

Unsurprisingly, the number of candidates for mayor fell by 43% compared to the previous election in 2012. It became essential for prospective candidates not only to be viable politically but also for their campaigns to be financially viable. And now with campaigns being mostly financed by federal funds, allocated to parties according to their congressional representation, candidates are forming alliances that cut across ideological lines.

The mayoral race in São Paulo, Brazil’s largest city, is one such example. The polarisation between the leftist Partido dos Trabalhadores (PT) and the right-of-centre Partido da Social Democracia Brasileira (PSDB) that marked previous elections has gained new components, not least an emboldened Partido do Movimento Democrático Brasileiro (PMDB) which, since Michel Temer assumed the interim presidency after the PT’s Dilma Rousseff was suspended by congress, now has presidential ambitions of its own in 2018.

Interestingly, the elections in São Paulo are being marked by political alliances that until recently were unimaginable and which suggest not only the emergence of complex political blocs at a national level but also the emergence of new political parties for 2018. For instance, the PMDB is running in São Paulo

Russomanno's conviction overturned

The mayoral race in the city of São Paulo was thrown into disarray earlier this month after the supreme court overturned a previous conviction for misuse of public funds against Celso Russomanno, in effect confirming the candidacy of the evangelical candidate for the Partido Republicano Brasileiro. Russomanno is currently leading the opinion polls, with 29% support and also beating all other candidates in an eventual second-round vote, with voters tired of mainstream politicians and parties.

with Marta Suplicy, a former founding member of the PT, while her running mate is Andrea Matarazzo, of the right-wing Partido Social Democrático (PSD). The PT, meanwhile, is attempting to have the city's mayor Fernando Haddad re-elected with the support of Gabriel Chalita, of the Partido Democrático Trabalhista (PDT), whose national leadership abandoned the PT federal administration and that, despite having left the PSDB, remains a close ally of the PSDB governor of the state of São Paulo, Geraldo Alckmin.

But there are other complicating factors. One is Luiza Erundina de Sousa, the first female mayor of São Paulo in the 1980s under the PT who had a major fallout with the leadership of the party and is now running for the hard-line leftist Partido Socialismo e Liberdade (PSOL). More importantly, the other is Celso Russomanno, an evangelical deputy in the federal lower chamber of congress who is running for the second consecutive time as candidate for the Partido Republicano Brasileiro (PRB) (*see sidebar*). Curiously, of the five parties that supported Russomanno's mayoral candidacy in 2012, only one maintained its support this year, with the other four splitting their support amongst the PT and the PSDB candidate, João Doria Júnior.

BRAZIL | OIL

Petrobras makes some progress out of the rough

The troubled state-run oil giant Petrobras, which is at the centre of the biggest public-private corruption scandal ever to hit Brazil, is trying to get on with its day-to-day business objectives, focused on the development of its vast offshore deep-water reserves and improving domestic refining capacity for future output increases.

Petrobras reported net income of R\$370m (approx. US\$115.4m) in the second quarter, compared to a loss of R\$1.2bn (US\$374m) in the first. It attributed this to a 30% reduction in net financial expenses; a 7% quarterly rise in total oil and natural gas output, to 2.8m barrels of oil equivalent a day; a 14% increase in the value of exports of oil and oil products (on a mild price recovery); and lower natural gas import costs. To some degree, a decline in domestic demand and slightly higher domestic fuel prices have allowed the company to recover some of the losses which it accumulated between 2011 and 2014, when the government led by the suspended president Dilma Rousseff imposed fuel retail price controls.

Second quarter net profits were reported at US\$106m, the first profit registered in three quarters: in Q2 2015, the company posted a net profit of US\$171m. Net debt, meanwhile, fell by 15% to R\$332.4bn (US\$103.6bn) as of end-June, from R\$392.1bn (US\$122.1bn) in December 2015, but Petrobras remains the most indebted of the world's oil majors.

While some analysts said the results were "solid", especially on the quarter-on-quarter comparison, like most other global oil majors Petrobras is not nearly out of the woods yet, as it struggles not only with low oil prices still but also with business troubles in the downstream sector, which is the most affected by the corruption scandal (centred on bribery and kickbacks for contracts). The upstream sector has also been hit, with construction of some of the expensive offshore floating platforms for the deep-water sector, for instance, put on hold because of the scandal, prompting complaints by private partners.

Having already cut its initial 2016 capital investment plan from US\$27bn to US\$20bn, Petrobras may now cut it by a further US\$2.5bn, according to industry reports. The company invested US\$7.4bn in the first half, mostly on upstream projects, compared to US\$12.2bn in the first half of 2015.

Steady pre-salt output growth

On 17 August, Petrobras reported that pre-salt oil and gas output hit a new monthly record of 1.32m barrels of oil equivalent per day, up 6% from June. Taking oil output alone, the result was 1.06m b/d day, surpassing the 1m monthly milestone for the first time. The rise in output was thanks to the start of the so-called 'Central Lula Production System' as well as higher output from new wells in the massive Lula field in the Santos basin, which upon its discovery by Petrobras in 2006 was the largest find in the Americas in 30 years. The fortunes of the embattled former president Lula da Silva (2003-2011), after whom the field was named, look a lot less promising these days, as he counters allegations that he was deeply involved in the vast, parasitic network of corruption that fed on Petrobras for a decade or more.

Barring a natural gas treatment unit for gas produced in the offshore fields, Petrobras has now postponed until 2020 completion of the 165,000 barrels per day (b/d) Comperj refinery project, located in Rio de Janeiro state, while a second 115,000 b/d phase at the troubled Abreu e Lima refinery will not be completed until 2019 or beyond. Following the exit of Venezuela's state oil company Pdvsas as a strategic partner, Abreu e Lima, located in the north-east, is now being re-tooled from a heavy to a light crude refinery, more suited to Brazilian oil.

The company also has a US\$15bn divestment plan for 2016 that includes the sale of its 67.2% interest in Petrobras Argentina to Pampa Energia for US\$897m; the sale of Petrobras Chile Distribución to Southern Cross Group for US\$490m; and the US\$2.5bn sale of a 66% interest in the BM-S-8 offshore license, in the Santos basin, to Norway's Statoil. Petrobras is also in talks with a Mexican petrochemical firm, Alpek, to offload its petrochemical unit, Petroquímica Suape e Citepem.

While production was up on a quarterly basis between April and June, the company's total hydrocarbons production in the first half was still down marginally over the same year-earlier period, with a 3% year-on-year fall in domestic oil and natural gas production, to 2.5m barrels of oil equivalent a day, and a 2% fall in international output volumes. Domestic oil prices in the first half averaged US\$34.54/b, down 28% year-on-year, while average international oil prices received by Petrobras were 25% lower, at US\$44.37/b. Natural gas prices were largely unchanged.

TRACKING TRENDS

PARAGUAY | Consolidating economic recovery. The latest instalment of the monthly economic activity indicator (Imaep) compiled by Paraguay's central bank (BCP) and released on 11 August, shows that domestic economic activity in June increased by 6.7%. With the June figure the accumulated Imaep results (a GDP proxy measure that does not include the agricultural sector) for the first half of the year has reached 3.8% as the growth in economic activity appears to have consolidated in the sixth month of the year.

A BCP report said that the increase in the Imaep in June was driven by an increase in activity in the construction, industrial and energy generation sectors. In particular, the report points out that the construction sector has proved to be one of the most dynamic this year, thanks to the increase in the execution of public works projects as well as in private sector projects. Indeed, the BCP is now forecasting that the construction sector will close the year with 8% growth. Meanwhile the increase in activity in the industrial sector was driven by the meat producing, metallic and non-metallic mining, and the leather and shoe production sub-sectors. Noting that domestic economic activity has consistently increased in virtually all sectors, the BCP said that the June Imaep result denoted a 5.5% year-on-year increase, suggesting a solid economic recovery.

Paraguay posted a modest 1.4% growth rate in the first quarter of the year on the back of subdued growth across all sectors. However, since then activity has consistently increased. Based on the June Imaep figure, the BCP revised up its year-end growth forecast from 3% to 3.6%, while noting that the actual figure could end up being higher as it is expected that the key agricultural sector will also post solid growth this year; and that the economies of Brazil and Argentina (Paraguay's main regional trading partners) are now also on their way to a recovery. However, the BCP's outlook is not entirely shared by private economists. The consensus 2016 growth forecast in the BCP's monthly poll of local economists (EVE) is of 3%, with this increasing to 3.5% only in 2017. According to the poll, private economists believe that despite the Imaep figures, activity in the retail and services sectors will remain subdued until next year.

Judicial convoy held up

On 13 August some 100 supporters of the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) blocked the passage of a convoy of cars from the supreme court of justice (CSJ) to the north-western department of Chalatenango. Led by CSJ magistrate Florentín Meléndez the convoy was travelling to Chalatenango to hand out 1,000 copies of the constitution and to give a speech at a local school. The FMLN supporters who erected the roadblock carried placards denouncing the CSJ judges as 'traitors' and 'corrupt'. The FMLN has accused the CSJ of siding with the country's "oligarchy" to issue rulings designed to complicate life for the government led by President Salvador Sánchez Cerén.

CENTRAL AMERICA & CARIBBEAN

EL SALVADOR | POLITICS & SECURITY

Twin boon for Sánchez Cerén

The number of homicides in El Salvador has fallen year-on-year for the first time since 2014, according to the director of the national police force (PNC), Howard Cotto. In the year to 9 August, there were 3,542 murders, seven fewer than in the same period in 2015. Vice-President Oscar Ortiz attributed the decline in homicides to the government's 'El Salvador Seguro' security initiative and the 'extraordinary measures' decreed by President Salvador Sánchez Cerén last March to combat the country's *mara* gangs. The government also received a fillip two days later when the legislative assembly approved a bond emission of US\$152m to fund its security initiatives.

While the homicide rate has fallen in recent months, the base of comparison is important: 2015 was the most violent year since El Salvador's civil war ended in 1992, with a total of 6,657 murders, up 70% on the total of 3,915 in 2014. Sustained progress in reducing homicides for at least another six months will be necessary to attribute a resounding success to either 'El Salvador Seguro' or President Sánchez Cerén's 'extraordinary measures'. The government has argued that insufficient financing would undermine its efforts. The decision by 70 of the 84 deputies in the legislative assembly to back a US\$152m bond emission to finance these initiatives will increase pressure on the government to deliver.

The legislative assembly unanimously approved the bond issuance back on 26 May but the constitutional chamber of the supreme court of justice (CSJ) ruled on 13 July that this was unconstitutional. The chamber based its ruling on the fact that alternates, chosen by the party leaderships rather than elected by the public, had voted on this matter of national importance. The legislative assembly staged the vote again on 11 August without the involvement of alternates.

The main right-wing opposition Alianza Republicana Nacionalista (Arena) insisted on mechanisms of control and greater accountability being established before it would grant its support for the bond emission. The national security council (CNSCC) will have to contract an external auditor to monitor the spending and ensure that the funds cannot be channelled into non-security-related initiatives.

Three main areas will benefit from the bond emission: US\$43.7m will be spent on providing better equipment for the new 1,000-strong special reaction force (Feres) established last March to combat the *mara* gangs, including drones, and to finance a fund for police officers killed in the line of duty; US\$43.5m will be assigned to construct three temporary detention centres for non-dangerous inmates to reduce high levels of prison overcrowding, as well as enhancing security at jails where *mara* gang members are held; and US\$37.3m will go towards funding military pensions.

Of the remaining funds raised from the bond issuance, US\$19.95m will finance the participation of some 6,300 members of the armed forces in street patrols, as well as 1,000 new reservists (of whom 600 have so far been deployed), and to set up a fund for the relatives of members of the military killed in action. Finally, US\$7.5m will go to the attorney general's office to undertake technological improvements.

Medina announces ambitious four-year plan**Cabinet**

President Medina confirmed eight cabinet ministers in their posts, including the public works minister, Gonzalo Castillo, and the energy and mines minister, Antonio Isa Conde. Five ministers were reshuffled, including Temístocles Montás, the economy minister, who takes over as industry and trade minister. The new economy minister, Isidoro Santana, is one of nine people to be brought into the cabinet, along with the treasury minister, Donald Guerrero. The change to the economic team was unexpected given the high growth rates of the Dominican Republic in recent years.

President Danilo Medina delivered an upbeat state-of-the-nation address on 16 August as he was sworn-in for a second straight four-year term. In an 80-minute address promising “glorious times ahead”, Medina said he would deliver “real and transformative change” to leave behind “the stigma of inequality and underdevelopment”. The main foci of his second term will be job creation; alleviating poverty; combating citizen insecurity; and improving the quality of education.

“You can be sure of one thing: in 2020 when you cast back to how our country looked in 2004 [when the ruling Partido de la Liberación Dominicana (PLD) came to power] for many it will be difficult to recognise the Dominican Republic of old,” President Medina said during his inaugural speech. Medina promised to create a minimum of 400,000 new jobs during his second term, and to lift 830,000 people out of poverty and 350,000 out of extreme poverty (to add to the 900,000 taken out of poverty during his first term). Medina said his government would put a big focus on water, promising that 83% of households would have access to drinking water by 2020, and grant at least 50,000 ‘solidarity pensions’ to poor elderly citizens.

Medina announced substantial salary increases for teachers, saying that his government would place more attention on improving teacher training than building more classrooms. Medina also said his government would undertake a massive overhaul of the transport system as it was unacceptable that Dominican families could pay around 20% of their monthly income on getting their children to school. He said a single payment system would be established, integrating public transport fares, starting in the capital Santo Domingo. He also said a series of public works programmes would reduce congestion in the country’s major cities.

Medina said he would introduce new measures to combat citizen insecurity. These include the creation of a community police force; more police officers to be deployed to “vulnerable areas”; improved video surveillance, and the use of drones. In charge of implementing this will be Carlos Amarante Baret, who was one of five ministers to swap portfolios in the 22-strong cabinet, exchanging education for interior and police. Andrés Navarro moves from the foreign affairs to education ministry. Replacing Navarro was Medina’s most intriguing appointment: Miguel Vargas Maldonado, the president of the Partido Revolucionario Dominicano (PRD). This was Vargas’s reward for having forged an electoral alliance between the PRD, formerly the main opposition, and the PLD.

The current opposition, led by the Partido Revolucionario Moderno (PRM), did not attend Medina’s inauguration, walking out of congress as soon as its deputies were sworn in. They dismissed the occasion as “the regrettable result of a long and systematic process of violation of the law, the constitution and the principles of equality, transparency and impartiality by the electoral authorities”.

The NGO Participación Ciudadana (PC), meanwhile, accused Medina of delivering a “personalist” speech “failing to mention his own party let alone civil society”. It was also critical of the fact that Medina’s sister, Lucía Yomaira Medina, took over as president of the lower chamber of congress, the first female in the PLD to hold the post. Lucía Medina, who represents San Juan de la Maguana, the largest city in the western province of San Juan, had previously served as vice-president of the lower chamber for 10 years.

Congreso del Encuentro Nacional Cubano

Representatives of 70 opposition groups in and outside of Cuba have announced a joint platform with the aim of forging a 'common political front for action' against the Castro government. The Congreso del Encuentro Nacional Cubano will now set up various working tables and the full congress will meet once a year, reportedly. The congress, held in San Juan, Puerto Rico, declared its concern for the hunger striking Cuban dissident Guillermo Fariñas and its support for the Venezuelan opposition coalition, Mesa de la Unidad Democrática (MUD). It was critical of the US-Cuba détente, which, it said, had merely given oxygen to the Communist government, which it accused of cracking down heavily on internal dissidents ever since.

Fidel Castro turns 90, the Revolution clings on

Cuba's revolutionary leader Fidel Castro turned 90 on 13 August. Once Barack Obama leaves office in November, Castro will have seen 11 US presidents come and go since he first came to power in 1959; six of them have died. Raúl Castro (now 85) has pledged to step aside as president in 2018, whereupon the two brothers will have been in power almost 60 years between them.

The big question is whether Cuba's Communist (originally Socialist) Revolution will survive the Castros and pass to a supportive successor generation willing to re-tool it for the needs of the country in the 21st century. The signs are not all that good. The gerontocracy shows no signs of mellowing in its old age and the distance between the economic, social and political aspirations of Cuba's youth and the dogmatic Communist Party leadership appears to be growing by the day.

A few days after Castro's birthday, the Communist Party published new economic and social policy guidelines (lineamientos económicos) for the coming five years (to 2021) conspicuous for their lack of new reform initiatives, bar a noticeable new emphasis on the need for foreign investment in designated key sectors.

The new plan is the follow up to the April Communist Party congress in which Raúl Castro chided the party and ministerial bureaucracy for failing to fully implement his previous 2011 guidelines, which broke the mould by calling for the Cuban economy to be 'updated', including via tentative liberalisation to allow for some private-sector activity, more freedom for cooperatives, increased openness to foreign investment and a move towards decentralisation of the tightly-controlled centrally-planned economy. Currency reform was also set as an objective. Castro later liberalised travel restrictions, allowed controlled development of the Internet and finally, in December 2014, sealed his own place in Cuba's history by agreeing to restore relations with the US.

Cuban observers read into the new plan ongoing tensions between reformers and laggards in the party, contributing to policy stalemate at a time of growing economic difficulties on the island economy. Containing 274 points in all, the new lineamientos on the one hand recognise "the objective existence of market relations", while on the other declare Cuba's commitment to central planning. The last plan forbade the concentration of property; the new one also forbids concentration of wealth.

Andrew Zimbalist, a US-based Cuba expert, told *Reuters*, "the new plan is old and if anything appears to be a mild retreat from liberalisation of the economy...When the revolution senses difficult times, it has always attempted to assert more central control", he observed. Observers agree that the rapprochement with the US and the recent loss of the Venezuelan subvention will have made hardliners feel vulnerable.

In July Castro announced austerity measures in response to the current economic difficulties, but stoutly denied that the country was facing a new 'special period', in reference to the hardship endured in the early 1990s after the end of the Soviet subvention. Castro later removed his economy minister and chief architect of the economic reforms, Marino Murillo, so that Murillo could "focus his efforts on tasks related to updating the Cuban economic and social model". Cuba watchers remain undecided as to whether that was a demotion or promotion for Murillo. What is clear is that expectations of change in Cuba should be moderate, at best, for the foreseeable future. Ultimately, biological factors may well dictate the future of the Revolution.

Trying where his predecessors have failed

President Jimmy Morales last week sent down a tax reform to the 158-member unicameral congress as part of efforts to boost Guatemala's notoriously low tax take (which reached just 10.1% of GDP in 2015). President Morales remains under intense pressure to raise revenue in the face of continued unrest from teachers and health-care-sector workers who are calling on the small, conservative Frente de Convergencia Nacional (FCN-Nación) government to increase public sector spending [[WR-16-29](#)].

In an 11 August press release, Finance Minister Julio Héctor Estrada said that the proposed reform, which was sent down to the legislature the following day, aimed to boost revenue through measures like increasing the tax on profits from 25% to 29%; raising taxes on cement from Q\$1.50 (US\$0.20) to Q\$5 (US\$0.65) per quintal sack; raising mining royalties, from 1% to 10% for gold, silver and platinum and from 1% to 3% for other metals; and increasing taxes on the distribution of crude and petrol derivatives by up to Q\$3.00 a gallon. The reform also proposes strengthening and accelerating the electronic tax billing system, and allows for the participation of the tax authorities (SAT) in collecting the single property tax (IUSI) at the behest of municipalities. Estrada said that the aim was to increase the tax take to 12.2%-12.4% of GDP, as established in the 1996 peace accords ending the 36-year civil war.

Yet fiscal reform is a notoriously thorny issue in Guatemala and it remains to be seen how far the new government can succeed where its predecessors have failed. Morales's disgraced predecessor Otto Pérez Molina (Partido Patriota, 2012-2015) passed a fiscal reform in 2012, but it was stalled amid a string of constitutional appeals. Similarly, Morales's attempts to raise royalties on mining and cement are likely to encounter firm opposition from private-sector lobbies like the umbrella group Comité de Cámaras Agrícolas, Comerciales, Industriales y Financieras (Cacif). In September 2015 the country's constitutional court (CC) rejected three tax changes proposed by the Pérez Molina government: a new Q\$5(US\$0.65) monthly tax on landlines and cell phones along with the same increases in taxes on cement and mining royalties as Morales is proposing.

More protests

Last week Guatemala's main teachers' union, the Sindicato de Trabajadores de la Educación en Guatemala (Steg), once again staged protests across the country calling for increased government spending. The unrest, which took place on 11 August, comes despite a deal agreed days earlier with the Morales government to set up a negotiating table with Health Minister Lucrecia Hernández Mack and Education Minister Óscar López together with the Steg and health-sector officials grouped in the Sindicato Nacional de Trabajadores de la Salud de Guatemala (SNTSG) union to discuss their demands.

According to a presidential press release, the blockades – which the Steg said were part of “pressure tactics to ensure that the government complies with its collective pacts” – took place on roads in the departments of San Marcos and Huehuetenango, which border Mexico; Chiquimula and Zacapa (east); Jutiapa (south-east); and Izabal (north). As well as occupying premises at the ‘Mundo Maya’ international airport in the northern department of Petén, the transport police announced that protesters obstructed access at the borders with Honduras and El Salvador and to the country's main port, Puerto Quetzal, in the southern department of Escuintla. The authorities estimate that the disruption resulted in losses of some Q\$43.7m (US\$5.8m). The press release also cites Hernández Mack as saying on 10 August that, for unspecified reasons, Steg and SNTSG had abandoned the dialogue table.

Poverty

In his press release, Finance Minister Julio Héctor Estrada highlighted the need for the tax reform in the face of widening social inequalities. He said that the national poverty rate had increased from 56.4% of the population in 2000 to 59.3% in 2014 (the most recent available figure from the national statistics institute) while extreme poverty had increased from 15.7% to 23.4% over the same period.

Quotes of the week

“You must have a sense of proportion; we have problems in the country but there is not a crisis as with the refugees in the Middle East.”

Venezuela's ambassador to the United Nations, Rafael Ramírez, rejects the assertion by UN Secretary General Ban Ki-Moon that there is a humanitarian crisis in the country.

“An authoritarian regime cannot preside over Mercosur. Venezuela is undemocratic, because a country that has political prisoners is not a democracy. Democratic countries throughout the world should advocate for the [recall] referendum.”

Brazil's foreign minister José Serra.

“Without energy there's no future, we can't grow and there's nothing more essential than energy for production. We intend to do things the way they are supposed to be done, but it will take five or six years.”

Argentina's President Mauricio Macri.

Peru's Fujimori absolved of embezzlement charge

Peru's supreme court struck down a sentence against former president Alberto Fujimori (1990-2000) for embezzlement this week. This particular prison sentence, for eight years, was handed down in January 2015. Fujimori was accused of siphoning off PEN\$122m (US\$36.8m at the current exchange rate) from state coffers to finance a major tabloid press campaign in favour of his re-election in 2000, the so-called 'Diarios Chichas' case. The ruling is controversial but it does not substantially alter Fujimori's position, as other embezzlement charges and, most importantly, a 25-year sentence for crimes against humanity, remain in place.

The five-strong supreme court panel ruled that Fujimori had not directly managed the embezzled funds and could therefore not be held responsible for their misuse. Vladimiro Montesinos, the former head of the notorious national intelligence service (SIN) and Fujimori's right-hand-man, was convicted in the same case in 2005.

The spokesman for the main opposition Fuerza Popular (FP), Luis Galarreta, said his party would not comment on the case out of respect for the independence of the judiciary. Other parties, especially the left-wing Frente Amplio (FA), were less reticent, while the Instituto de Defensa Legal (IDL) denounced the ruling as “disastrous” on the grounds that it ran counter to the justice system's interpretation of what constitutes official corruption.

The ruling sets a dangerous precedent, potentially encouraging official corruption by sending out the message that ordering the embezzlement of state funds would not be punishable by a prison sentence as it does not amount to directly administering them. It is also a setback for the new government led by President Pedro Pablo Kuczynski. During his inaugural address last month Kuczynski promised to set up a national anti-corruption system, insisting that any officials found guilty of corruption would face justice, but he pointedly added that the judiciary “must undergo a profound reform”. The ruling will put pressure on Kuczynski to expedite this process.

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