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Mexico's Peña Nieto on back foot as Videgaray resigns

It is sometimes claimed that a typical six-year Mexican presidency can be broken down into three periods of two years each. In the first two, things get done; in the second, the administration starts getting bogged down; and in the last two there is a palpable loss of power and influence. In December President Enrique Peña Nieto will be entering the last two years of his term in office and there are signs that he could fall victim to the rule and begin to become a lame duck. This week's events suggest Peña Nieto's more difficult and less powerful last two years in the presidency have started early. In a surprise announcement on 7 September Luis Videgaray, one of his closest collaborators and friends, resigned from his key position as finance minister.

The government led by President Peña Nieto had already been suffering from a degree of political malaise. Peña Nieto's approval rating slumped to a nadir of 23%, according to a survey for the local daily *Reforma*. He has recently been accused of plagiarising parts of his doctoral thesis ([see the latest edition of our Mexico & NAFTA report](#)). And his decision to meet the US Republican presidential candidate Donald Trump has been roundly condemned as a humiliation for the country; "an historic error", according to an influential columnist, Enrique Krauze (a historian who, incidentally, was one of the victims of Peña Nieto's extensive plagiarism).

The departure of Videgaray is a big setback. He was replaced by José Antonio Meade, who moves over from the ministry for social development (Sedesol). Luis Miranda Nava, another close friend of Peña Nieto, becomes the new head of Sedesol. This was not a routine reshuffle. A stony-faced Peña Nieto, flanked by the main incoming and outgoing ministers, made the announcements without further explanation.

The changes are significant. Videgaray, along with the interior minister, Miguel Ángel Osorio Chong, had been considered a potential presidential candidate for the ruling Partido Revolucionario Institucional (PRI) in 2018. Now it looks as if he is out of contention: officials said he would not be offered any other post in the federal administration (although there have been some suggestions he might run for the governorship of Estado de México [Edomex] next year).

Osorio Chong would appear to be in the running for the presidential succession still, but he faces the attrition that goes with his job, given a rising homicide rate and ongoing criticism of the security forces over human rights. An ideal post for a presidential hopeful in the last two years of an administration is Sedesol, a high-spending ministry, but Peña Nieto has given it to Miranda Nava, a loyal associate without presidential ambitions. The changes do mean that Meade, an experienced politician, could join the list of presidential hopefuls, but overall the race for 2018 is looking more difficult to call.

Trump effect

President Peña Nieto's decision to meet the US Republican presidential candidate Donald Trump continues to trigger domestic political aftershocks. To a large extent it overshadowed Peña Nieto's state-of-the-nation address. The resignation of Luis Videgaray, a personal friend of Peña Nieto who served under him as finance minister when he was governor of the Estado de México (2005-2011), was a major blow. More heads could yet roll. Foreign Minister Claudia Ruiz Massieu is also feeling the heat.

Trump meeting

The proximate cause of these sudden changes is believed to have been the politically disastrous meeting between Peña Nieto and Trump in Mexico City on 31 August. That meeting, arranged at the last minute, continues to have major negative domestic political repercussions. Videgaray has admitted it was his idea – given the scale of the backlash it is clear he has now paid the price with the loss of his job. The justification of the meeting was that it would allow Peña Nieto to defend Mexico's interests against what are widely seen as Trump's 'anti-Mexican' positions on trade and immigration.

Yet many Mexicans now believe Trump simply used Peña Nieto to boost his own image, later reiterating his commitment to building a frontier wall for which Mexico would be forced to pay. Trump claimed the funding of the wall was not discussed; Peña Nieto said he made clear that Mexico would not pay for such an initiative. Making matters even worse for Peña Nieto was the fact that the US Democratic party presidential candidate, Hillary Clinton, decided to turn down her own parallel invitation to meet him in order to concentrate on US campaigning instead. This increased the perception that the Mexican head of state had been contemptuously used by one of the two sides in the US political campaign.

There was a furious Mexican reaction against Peña Nieto for allowing himself to end up in such an uncomfortable position. Federal senators from the right-of-centre Partido Acción Nacional (PAN) described the meeting with Trump as a form of treason, and called for the resignation of Foreign Minister Claudia Ruiz Massieu for not having prevented it (it now appears she may have been left out of the loop by Videgaray). The president of the left-wing Partido de la Revolución Democrática (PRD), Beatriz Mojica, went as far as to say that her party would consider supporting congressional moves to impeach Peña Nieto. She said the federal government had shown its contempt for citizens by "inviting a man who has humiliated and insulted our country".

While impeaching a president for attending such a meeting may sound extreme, some legal sources claim the idea could have at least some justification in law. The problem is that Peña Nieto himself has described Trump's policies as a threat to Mexico's national interests. According to Elisur Arteaga, a constitutional expert consulted by the left-wing weekly *Proceso*, "If the president is inviting to Mexico someone who is considered an enemy of Mexico, he is flirting with the crime of treason." Any serious attempt at impeachment looks improbable, but it may be used as a political device by the opposition to embarrass Peña Nieto.

If Videgaray's resignation is intended to take the heat off Peña Nieto, it may not have the desired effect. Videgaray also faces criticism for slow growth and fiscal austerity (he resigned the day before he was due to present the 2017 budget to congress, a task that fell instead to Meade). It is hard for Peña Nieto to take distance. According to Gerardo Copca of consultancy Metanálisis, Videgaray's departure "is being attributed to him organising the Trump meeting, but that is only part of it, the economic side is also getting complicated", contributing to Peña Nieto's sharp fall in popularity.

Major challenges ahead

Quite apart from any short term missteps, it is clear that Peña Nieto now faces some fundamental medium-term difficulties. Under his guidance the PRI approved major reforms in its first two years in office: there were big and ambitious changes in education, telecoms regulation, and the energy sector. These modernising reforms were supposed to tackle the country's fundamental problem of sluggish economic growth, doubling the underlying GDP growth rate to 4-5% towards the end of the *sexenio*, and positioning the PRI

Informe

President Peña Nieto said during his informe that his administration would continue to work on five priority themes: quality education, prosperity, inclusion, peace, and social responsibility. He added that his administration had created 2m new jobs; that it was spurring growth through the creation of special economic zones; and that it was improving roads and public transport.

to reap the electoral benefits in 2018. But it is now clear that the acceleration in growth is simply not happening.

The pro-growth impact of the reforms has been cancelled out by a variety of factors: education reform is bogged down because of union opposition; the transition to a more competitive telecoms sector is happening very slowly; and, critically, the global oil and gas market is experiencing a prolonged slump. The government now expects this year's growth to be in a disappointing range of between 2% and 2.6%.

With a new round of fiscal austerity expected in 2017, few analysts see any sign of a significant pick up in growth. Second quarter GDP contracted 0.2% on the preceding three months, the first quarter-on-quarter fall in three years. Luis Maizel of brokers LM Capital Group says, "the economy is tanking". At the end of August, the rating agency Standard & Poor's cut Mexico's credit rating outlook to 'negative'. Columnist Samuel García says that because of rising debt levels the return of an unwanted Mexican tradition – the end-of-presidency economic crisis (such as the 'tequila crisis' of 1994) – cannot be entirely ruled out.

While that may be over-dramatic, without the hoped-for growth boost the PRI has little to offset its weaknesses in other areas. The party has failed to convince voters it is serious about fighting corruption. Peña Nieto has been accused of conflict of interest – doubts over his personal ethical standards will be magnified by the latest plagiarism accusations. The persistence of high levels of crime is another enduring weak point, as are the repeated news stories about human-rights violations and extrajudicial executions, one of which recently forced the dismissal of the head of the federal police (PF) [[WR-16-34](#)].

The PRI received a punishment vote in this year's gubernatorial and state legislative elections, when it lost a number of governorships. There is now a genuine fear that it could lose the gubernatorial election in Edomex, when it is held in mid-2017. Edomex is not only Mexico's largest state it is also Peña Nieto's home state. This would be taken as a sign of serious weakness ahead of the 2018 presidential contest. The available polls suggest the PAN is best placed to win in 2018: if this perception intensifies, Peña Nieto will indeed risk becoming an early lame duck.

Members of the PRI hoped the fourth annual state of the nation address on 1 September (known as the 'informe') would provide an opportunity for Peña Nieto to go back on the political offensive, perhaps announcing new measures that would allow him to regain the initiative. But the opportunity seems to have been missed. For the second year running Peña Nieto chose to skip the traditional live speech to the federal congress, possibly fearing disruption from legislators furious over his meeting with Trump. Instead he chose to hold a rather stage-managed forum with 386 young people while delegating Osorio Chong to present the written report to congress – a constitutional requirement.

Much of the official report was self-congratulatory or worthy, and failed to make domestic press headlines (*see sidebar*). But in the ensuing congressional debate senators and deputies were very critical. PRD Senator Fernando Enrique Mayans said the government's structural reforms had "failed to create the prosperous and inclusive Mexico that we were promised". PAN Senator Fernando Herrera Ávila said the business community had been "disdained and threatened" by the government because of its call to end disruption caused by striking teachers. He added that Peña Nieto was "telling stories" about his achievements. The president of the PAN, Ricardo Anaya, said the PRI had to be voted out of office in 2018 "because of its ineffectiveness, the lack of results, and because of corruption".

Public debt

The governor of Banxico, Agustín Carstens, warned that levels of public debt in Mexico are “reaching the limit of what is reasonable”, noting that the recent moves by international rating agencies to revise down Mexico’s sovereign debt ratings show that “there is not much fiscal flexibility left”.

MEXICO | Strategic partnership with China. Mexico’s relationship with China could be changing. The two countries have often been seen as economic rivals as they both compete for access to the US import market. But attending the G-20 summit in Hangzhou, the capital of China’s eastern province of Zhejiang, President Enrique Peña Nieto and Chinese President Xi Jinping talked about a five-year strategic partnership based on collaboration in Mexico’s special economic zones, aerospace, and nano-technology. The special zones were created in Mexico’s poorer southern states: they are designed to stand out as innovation, technology, and development hubs, attracting investment and creating employment.

Peña Nieto said a group of Chinese business people from the southern province of Guangdong had already signed 18 collaboration agreements with Mexican companies, including those active in aerospace, electronics, automotive, biotechnology and energy sectors.

Peña Nieto said China was a friend and important commercial partner; Mexico was particularly interested in collaboration over investment, finance, and tourism. He added that bilateral trade last year was worth US\$74.9bn. China was Mexico’s second-most important trading partner, and its third-most important export market. Mexico in turn was China’s largest export market in Latin America.

MEXICO | Banxico cuts growth forecast. On 31 August Mexico’s central bank (Banxico) revised down its end of year GDP growth forecast from 2%-3% to 1.7%-2.5%. The downwards revision was included in Banxico’s second quarter report and followed the release of the disappointing second quarter growth figures from the national statistics institute (Inegi), which showed that domestic economic activity marginally contracted in the second quarter – the first quarterly contraction in three years [[WR-16-34](#)].

The weaker-than-expected second-quarter results had already prompted the finance ministry to lower its year-end growth forecast and now Banxico has followed suit. In the report, the bank attributed the revision to a decline in domestic economic activity and the more adverse external scenario marked by the persistently low international oil prices and subdued economic growth in the US.

The Banxico report said that it expected these scenarios to persist in the short term and that the fall in domestic household consumption registered in the second quarter (and which was identified as the main factor behind the contraction) could also continue. Indeed, Banxico noted that “while the previous report anticipated a slowdown in the domestic economy in the second quarter, this was apparently more pronounced than expected”.

Based on the view that this trend will continue this year, dampening the country’s economic recovery, Banxico also decided to revise down its 2017 GDP growth forecast from 2.3%-3.3% to 2%-3%. This after Mexico’s GDP grew by 2.1% in 2014 and by 2.5% in 2015. The bank foresees, however, that the structural economic reforms implemented by the government “will contribute to the recovery of private domestic spending and will gradually generate a better growth environment that will lead to better consumption and investment expansion rates” in the near future. But the Banxico report sounded a note of warning, stating that “so far in 2016 the current account deficit in GDP terms has increased compared to what was observed in 2014 and 2015”.

MEXICO | ‘Round One’ oil concession concluded. Mexico’s energy ministry (Sener) and the national hydrocarbons commission (CNH) have formalised the signature of six contracts for the extraction of hydrocarbons, completing the ‘third phase’ of the ‘Round One’ inaugural oil exploration and exploitation concession public tender process, for the first time open to private firms under the 2013 energy reform.

The latest contracts are expected to help increase Mexico’s national oil production by as much as 7,300 barrels of crude oil per day, with an estimated investment of US\$133m. This investment will directly benefit the states of Nuevo León, Tamaulipas and Veracruz. Meanwhile the agencies announced that 12 new tenders for the exploitation of land hydrocarbons will be held in April next year as part of the ‘Round Two’ oil concession auction, which is expected to attract US\$5bn in investment.

Margarita vs

Maduro

Despite its long support of his predecessor Hugo Chávez (1999-2013), President Maduro was also loudly booed by crowds on Margarita Island in early 2014, shortly before unprecedented national anti-government protests erupted, when he attended the opening ceremony of the Caribbean Series baseball tournament. And the next MUD demonstration to push for a recall referendum, scheduled for 14 September, will coincide with the scheduled 17th Summit of the Non-Aligned Movement (NAM), due to be attended by dozens of international leaders; that too will take place on Margarita Island. Maduro at least should be in friendlier company that day.

ANDEAN COUNTRIES

VENEZUELA | POLITICS

MUD seeks momentum after huge march

An estimated one million people took part in the '1-S' march in Caracas, making it a resounding success for the opposition Mesa de la Unidad Democrática (MUD). Repeating this was always going to be a challenge for the MUD, with initial media reports suggesting that turnout for another round of demonstrations on 7 September, this time outside the offices of the national electoral council (CNE) nationwide, was much lower. Attendance at counter rallies staged by the ruling Partido Socialista Unido de Venezuela (PSUV) was also paltry.

Turning out to protest on a rainy Wednesday was probably not top of the agenda for Venezuelans six days after so many clearly made a huge effort to get to the capital for the 1 September march, organised in demand of a presidential recall referendum. Delighted with the turnout, and the civilised, dignified tone of the '1-S' march, the MUD is keen to maintain that momentum.

"We're interested in reinforcing what's happening from Caracas to the rest of the provinces," the MUD's executive secretary Jesús 'Chuo' Torrealba, declared. "Some are calling it the Villa Rosa effect." That was a pointed reference to a video posted online of President Nicolás Maduro being loudly heckled during a walk-about on Margarita Island on 2 September, the day after the march. Maduro was supposed to be showing off new social housing before delivering a televised speech, but instead residents banging pots and pans angrily pursued him through the Villa Rosa district, long a traditional *Chavista* area.

The images were widely tweeted and shared across social media, including by the opposition leader and twice former presidential candidate Henrique Capriles Radonski. Maduro and his minders were clearly caught out, a rare lapse for the left-wing government, which has 17 years of experience of staging carefully orchestrated public events. For the MUD, it was a perfectly timed gift, a glimpse of cracks in the edifice. Capriles declared that Maduro was "run out of town".

But for all of the MUD's success in getting across its message to both the government and the wider world on 1 September, it remains no closer to succeeding in its demand for a recall referendum this year. The CNE, which has managed to drag out and delay the process for the best part of six months already, only has to dither for a few more weeks in order to ensure that any vote will only take place after the key cut-off date of 10 January 2017. After that date a successful recall vote would no longer require snap elections, with the vice-president stepping in instead to see out the rest of the term. As such, the CNE remains impervious to the MUD's pressure, with rector Sandra Oblitas insisting this week that the council will only announce its pending decision on the process for the second referendum phase on 13 September.

The CNE has already indicated that the second phase, in which the MUD is required to collect 3.9m signatures (20% of the registered electorate) in order to proceed to the actual vote, will take place in late October, and only then assuming that certain (unspecified) "conditions" are met. The CNE must then validate the signatures, a process that took three long months in the first stage, when it only had to approve about 190,000 signatures (1% of the electorate).

Nevertheless, the MUD is pressing on. Public pressure is the only option it has. Another 12-hour demonstration in every state capital has been scheduled for 14 September, to come after the CNE has delivered details of the

Rodríguez Zapatero

Opposition

figurehead Henrique

Capriles Radonski

questioned aloud

José Luis Rodríguez

Zapatero's comings

and goings. "No-one

knows what Mr.

Zapatero is doing in

Venezuela. We don't

know his agenda.

Every time the

government gets its

neck in water

Zapatero appears.

Why does he come?

To put a date on the

referendum or to try

to make it seem to

the world like there is

a dialogue going on

here, and clean the

face of the

government?"

Capriles has had no

time for Rodríguez

Zapatero since the

Spaniard declared

that in his view,

referendums had no

place in modern

democracies.

second stage. Finally, there will be another 12-hour action the day after completion of the second signature collection round, to call on the CNE to stage the referendum without delay.

Villa Rosa, Braulio Jatar and Ricardo Hausmann

According to Foro Penal, a Venezuelan human-rights group, around 20 people were arrested after the Villa Rosa incident, including Braulio Jatar, the director of a local news site, *Reporte Confidencial*, which is critical of the Maduro government. Jatar disappeared without warning on 3 September and family members living in Boston, in the US, raised the alarm after he managed to communicate with his sister from his cell. According to Jatar's lawyer, Diomedes Potentini, while the authorities initially suggested that he had been detained for broadcasting the images of Maduro's embarrassment, he has now been officially charged with money laundering. (Jatar's house was reportedly raided by police after his detention.) "There was no crime and they did not present any evidence," his lawyer told media sources.

Jatar was already known to the Caracas government. His sister, Ana Julia Jatar, runs *El Planeta*, described by the *Boston Globe* as the largest Spanish-language newspaper in Massachusetts, as well as an NGO focused on women's rights in Venezuela. She is married to the Harvard academic Ricardo Hausmann, a former planning minister in Venezuela and a fierce critic of the Maduro government, famously accusing it of "moral bankruptcy" for prioritising external debt payments over basic imports for its own people.

Meanwhile, Joanna Hausmann, the couple's daughter, is an up-and-coming New York-based comedian, whose satirical videos attacking the Maduro government often feature on the likes of the Venezuelan opposition blog *Caracas Chronicles*. Her uncle's detention prompted her to rather more serious observations: "My uncle will now be added to the long list of Venezuela's political prisoners. Being a journalist has cost him his freedom."

Notably, Jatar is Chilean-born and his detention has also prompted expressions of concern by the left-wing Chilean government, with Foreign Minister Heraldo Muñoz confirming that he had contacted his Venezuelan counterpart, Delcy Rodríguez. Muñoz called for Jatar's rights to be respected, and noted that, as a Chilean, Jatar has the right to the full protection of the Chilean government.

Zapatero et al – back again

Spain's former primer minister José Luis Rodríguez Zapatero (2004-2011), one of the three mediators designated by the Union of South American Nations (Unasur) to encourage political dialogue in Venezuela, arrived back in Caracas for the second time in a week, with the opposition MUD, which accuses Rodríguez Zapatero of bias, still none the wiser as to his agenda.

Meanwhile, to the bemusement of the MUD, Rodríguez Zapatero himself appeared to suggest that his lightning 24-hour visit last week, which came just ahead of the 1-S march (and the counter march staged by the government), had in fact helped to ensure a peaceful day. The MUD dismissed that comment out of hand.

Rodríguez Zapatero explained that he was now back to progress dialogue, saying that he hoped for "more fluidity" and "important advances" in September and October. He praised the MUD president of the national assembly, Henry Ramos Allup, for his "disposition" to dialogue and his "often-incisive" comments. Ramos countered that he had not been invited to any conversations whatsoever of late. Publicly, the MUD denies that any talks at all are taking place.

Once again, Rodríguez Zapatero left as quickly as he had arrived, but hinted that his visits would be more regular in coming weeks. No sooner was he gone than it emerged that the two other Unasur-designated mediators, Leonel Fernández and Martín Torrijos, the former presidents of the Dominican Republic and Panama respectively, had *also* been in Caracas, flying in under the radar for "private meetings".

Mining unrest turns deadly

The brutal death of Bolivia's deputy interior minister, Rodolfo Illanes, and five miners during protests made local and international headlines last week. Signalling a new low in the dispute between the Movimiento al Socialismo (MAS) government led by President Evo Morales and the national confederation of mining cooperatives (Fencomin) over the latter's various demands [WR-16-32], it led the Morales government to announce a series of measures aimed at tightening control of the cooperatives sector.

The miners' protests began last month over a 10-point list of demands [WR-16-32]. Chief among these was the repeal of recent modifications to legislation on cooperatives, which Fencomin had complained would strengthen unions within the sector (although the Morales government maintains that mining cooperatives are not affected by the modifications). While a dialogue table was established on 12 August to address these demands, disruptive protests persisted. On 25 August Illanes was reportedly beaten to death, and his security officer badly injured, by a group of striking miners in Panduro, some 160km south of La Paz, as Illanes personally attempted to negotiate a peaceful resolution to a road blockade staged by miners. Five miners also died as a result of violent clashes with the police as they attempted to clear roadblocks in various parts of the country.

The violence shocked the country and the international community alike. On 30 August the United Nations Office of the High Commissioner for Human Rights (OHCHR) issued a statement condemning the violence, which called on "all sides to engage in an immediate, genuine and constructive dialogue and to refrain from resorting to violence". On 2 September the MAS government announced that a total of 10 people had been detained in relation to the death of Illanes.

With Fencomin left very much on the back foot, the government swiftly issued a series of decrees on 1 September, aimed at regulating the sector, which accounted for 2.2% of GDP in the first quarter of 2016 (see box). One of the decrees orders the reversion to state control of areas in which contracts have been signed between mining cooperatives and private national and international companies. While Mining Minister César Navarro told reporters that mining cooperatives have 31 contracts with private national and international firms in force, the local state news agency Abi cites Marcelino Quispe, the president of the state-run mining company Corporación Minera de Bolivia (Comibol), as putting this figure at seven.

Other decrees approved include one authorising the state to take back from cooperatives land that was approved for mining but which has yet to be exploited. A third grants the administrative jurisdictional mining authority (Ajam), a dependency of the mining industry and the cooperatives audit and control authority (Afoop), more oversight powers over the mining cooperatives sector. The two other decrees related to a ban on the use of dynamite in public protests and the guarantee of the rights of all workers serving in cooperatives.

Cooperatives

According to the most recent (26 August) report by the national statistics institute (INE), in the first five months of 2016, mining cooperatives and small scale miners produced 30.2% of the total 194,243 tonnes (t) of fine zinc concentrate (Bolivia's leading metallic export); 26.5% of the total 581t of silver; and 19.6% of the total 36,696t of lead. Meanwhile the latest mining ministry figures show that cooperatives accounted for 19.5% of the total US\$124.2m received in mining royalties in 2015, while the private sector accounted for 74.1%, and the state, 6.4%.

Members of cooperatives

The 26 August report by the national statistics institute (INE) cites figures from its 2015 survey of households which put the number of members of cooperatives at around 20,000 in rural areas – the majority of which refer to mining cooperatives.

Peruvian tourism

Peru welcomed 1.78m international tourists in the first half of the year, Peru's foreign trade & tourism ministry (Mincetur) reported. This figure represents a 6.2% increase compared to the same period in 2015. The US and major European countries (Italy, France, the United Kingdom, Germany, and the Netherlands) were the top countries of origin for foreign visitors. Promoting Peru's touristic attractions in all of these countries has been a priority for the Andean country's exports and tourism promotion agency, Promperú.

COLOMBIA | Low second quarter GDP growth. Domestic economic activity increased by 2% quarter-on-quarter in the second quarter of the year, according to the latest economic figures released by Colombia's national statistics agency (Dane) last week. With the result that the accumulated GDP growth rate for the first six months of the year reached 2.3%. This is lower than the 3% figure forecast by the Colombian government and closer to the 2.37% forecast by the Organisation for Economic Co-operation and Development (OECD).

According to the Dane report, nine economic sectors posted growth in the second quarter, with three of them posting above average growth. The main driver of economic growth in the second quarter was the manufacturing sector (6%), followed by the financial and real estate sector (4.6%), and the social, communal and personal services sector (2.3%). By contrast, the mining sector recorded the biggest fall in activity in the quarter (-7.1%). Dane director Mauricio Perfetti del Corral said that "the performance of the manufacturing industry is explained by the growth of nineteen of the twenty sectors that are part of the activity, where oil refining (28.8%) and beverages manufacture (14.2%) stand out".

The positive result in the oil refining sub-sector comes despite the fact that on the back of persistently low international oil prices, oil refining output in Colombia was boosted after the new refinery in Cartagena de Indias (Reficar) of the state-owned oil firm Ecopetrol achieved full production capacity in March. Perfetti highlighted that with the second quarter results, the Colombian economy has now posted 15 consecutive quarters of positive economic growth.

However, the lower-than-expected second-quarter growth produced concern among legislators in the national congress, some of whom said that it represented "poor growth" and that the government's recently submitted Col\$224.4trn (US\$75.92bn) draft 2017 budget is underfinanced and there will not be much room left for investment. Alejandro Chacón, a national deputy for the Partido Liberal (PL), part of the ruling coalition, said that the situation of Colombia's public finance is complex and will tend to worsen with future funds and expenditure overruns.

All of this suggests that the impact of low international oil prices on Colombia's domestic economy has been stronger than expected by the government, causing a fall in income from oil revenues, which together with rising inflation and interest rates in support of the peso, are slowing the economy and eroding the government's finances. Pointedly, following the release of Dane's second-quarter GDP results, the Colombian government revised down its GDP growth forecast for the year to 2.5%.

ECUADOR | Yasuní exploitation formalised. Vice-President Jorge Glas participated in a ceremony on 7 September incorporating 'Block 43' located in the Ishpingo-Tambococha-Tiputini (ITT) field in the Yasuní biosphere reserve into national oil production. Oil production at 'Block 43' will reach 300,000 barrels per day (bpd) within six years, the government led by President Rafael Correa announced, significantly increasing the current national oil production of 530,000 bpd.

'Block 43' contains up to 1.67bn barrels of oil, 41% of total crude reserves in Ecuador. It is expected to generate US\$100m for state coffers in what remains of this year, Glas said, and between US\$750m and US\$800m next year. "Here is the new wealth of the nation," Glas said during the ceremony. "We will break the national record for oil production."

Glas said that oil production would be processed outside of the Yasuní reserve in keeping with strict environmental safeguards, but detractors are far from convinced. They argue that it is difficult to trust a government that made a flagship electoral commitment not to exploit oil in the Yasuní reserve but rather to set about raising US\$3.6bn for a trust fund to leave deposits untapped.

Correa blamed "the world" for failing to back his government's innovative proposal when signing a decree to exploit the oil in Yasuní in August 2013. He insisted that the oil would be extracted responsibly and the resulting revenue would be used to combat poverty and spur development in Ecuador. He argued that it was senseless to "sit like beggars on a sack of gold", leaving "US\$18bn underground" when child malnutrition rates, for instance, are 24%.

Brazil's Pandora's Box of scandal**Federal police action**

On the orders of Judge De Souza Oliveira, the federal police (PF) were tasked with carrying out 127 court orders on 6 September, including seven for temporary arrests, plus the seizure and freezing of assets of 103 individuals and companies running to an estimated value of US\$2.5bn. That evening, the PF said it had made five arrests and carried out over 100 search warrants that day, seizing luxury cars, a private plane, art and jewellery. Over 24 people had been interrogated.

Brazil's attorney general, Rodrigo Janot, has not discounted an investigation by his office into political involvement in the latest mega scandal to hit the country, this time involving the illicit use of the pension funds of state-run companies. "An investigation is like pulling on a thread," Janot mused. "I keep pulling and see where it takes me".

When an investigation by a first instance court implicates a politician with immunity from prosecution (a cabinet minister or federal legislator for example), a file is sent up to the attorney general's office (PGR), which must then decide whether the case against the politician merits further investigation. Ultimately, only the federal supreme court (STF) is permitted to try senior politicians, but Janot's office is the jumping off point.

On 6 September, just days after the federal senate's impeachment of former president Dilma Rousseff (2011-2016), Brazil's federal police force (PF) launched 'Operation Greenfield', a major fraud investigation into the country's four biggest pension funds, Funcef, Previ, Postalís, and Petros, all serving state-run companies.

Pressed by reporters in Brasília the next day, Janot said he had not yet received any file related to 'Operation Greenfield', but at the same time he said he did not rule out the possibility that an investigation into corruption at state pension funds might implicate politicians at some point. Most Brazilians will assume that it is inevitable.

This new scandal immediately implicates some of Brazil's biggest banks and corporate giants, with some of those involved already caught up in the nearly-complete PF investigation into a massive web of corruption emanating from the state-run oil company Petrobras. Known as 'Operation Car Wash', that investigation, which began in March 2014, has lifted the lid on a veritable Pandora's Box of graft and criminal activity, much of it organised, at the nexus of business and politics in Brazil. Supporters of Rousseff allege that the impeachment proceedings against her were an effort by the country's traditional conservative elite to put a stop to 'Operation Car Wash', which Rousseff had allowed to continue unimpeded (albeit she and her predecessor Lula da Silva [2003-2011], as well as senior members of the formerly ruling left-wing Partido dos Trabalhadores [PT], were also implicated in the scandal).

Officially, 'Operation Greenfield' is investigating billion-dollar losses to Brazilian pensioners. In April, a congressional committee of enquiry (CPI) into pension fund corruption reported that pension funds had been subject to "systemic fraud", and requested the indictment of 353 individuals and institutions. A federal court then took up the case, with Federal Judge Vallisney De Souza Oliveira asking the federal police for an investigation.

In an official statement, the PF said that 'Operation Greenfield' is based on 10 cases uncovered as part of investigations into deficits on pension funds, eight of which allegedly relate to "fraudulent or reckless" investments made by the various funds' private-equity investment arms. The PF alleged evidence of "organised criminal activity" between senior business executives, pension fund managers, asset rating companies and private equity funds.

Funcef, Previ, Postalís, and Petros are the pension funds of the state-run banks Caixa Econômica Federal (CEF) and Banco do Brasil (BB); the postal

Petrobras lays off

11,000 workers

Petrobras shares rose by 4.5% after the company announced the completion of its voluntary redundancy/early retirement scheme, part of efforts to generate savings of US\$10bn to 2020. As of the end of the scheme on 31 August 11,704 workers had signed up to the plan, Petrobras said, just under the targeted 12,000. The company put the initial severance cost at R\$4bn (US\$1.26bn). In 2013, Petrobras and its subsidiaries employed some 86,000. Oil unions have warned that the redundancy scheme is causing a brain drain out of the company that will affect its ability to develop its ultra deepwater offshore reserves in coming years.

service Correios; and Petrobras. Combined, they controlled R\$280bn (US\$86bn) in assets last year. The asset management units of Caixa; private banks Bradesco and Banco Santander Brasil; and a fund manager, Rio Bravo Investimentos, are also under investigation.

The Meat Kings get burned

Notably, Judge De Souza also ordered the chief executive of Brazil's meat packer, JBS, plus 39 other senior executives, to "suspend their corporate roles" (i.e. step down from their posts), avoid capital market activity, and forfeit their passports. JBS is run by the famous 'meat kings', brothers Wesley and Joesley Batista, who were among those detained for questioning. The JBS corporate headquarters was also raided. Shares in JBS and its holding company, J&F Investimentos, fell 10% that day, the most in six months. José Carlos Grubisich, the CEO of Eldorado Brasil Celulose, a pulp company that is also controlled by the Batista family, was likewise ordered to step down from his post. It transpires that Funcef and Petros are shareholders in Eldorado, a pulp company, with investment holdings in the company worth an estimated US\$920m as of December 2015.

Other suspended executives include Denise Pavarina, the head of asset management at Bradesco, and Leo Pinheiro, former CEO of the construction company OAS, suspected of 'gifting' a beach apartment to former president Lula da Silva (2003-2011) in exchange for contracts. Pinheiro's involvement in particular could potentially be a string that Janot may find himself pulling in the not-too-distant future.

Meanwhile, Janot told reporters that he was not concerned by the rather slow pace of the ongoing STF investigations into senior politicians' involvement in the Petrobras scandal, saying that it was "the normal pace of the court". While 'Operation Car Wash' kicked off in March 2014, the STF investigations only started a year later, in March 2015. Janot said that the supreme court was not really set up for such a huge number of procedures, but insisted that the STF "is doing everything it can, taking measures to improve". But the slow pace of the STF is in stark contrast to the Paraná-based first instance tribunal at the centre of 'Operation Car Wash'. Led by the super-efficient young federal judge, Sérgio Moro, who almost single-handedly is pursuing Brazil's entrenched corruption, his court has already handed out most sentences and completed much of its work. The PGR, meanwhile, still has dozens of investigations ongoing.

Heartbreaker Biden wounds Rousseff

Opening the annual conference of the CAF-Development Bank of Latin America in Washington on 7 September, the US vice president, Joe Biden, emphasised that the impeachment of Dilma Rousseff would not affect bilateral relations between the US and Brazil, and said that the US looked forward to "working closely" with the new administration led by President Michel Temer.

"In Brazil, the people followed their constitution to navigate a difficult economic and political moment, following the procedures established for a transition of power," he stated. "Brazil is and will remain one of the closest partners of the US in the region. Between democracies, partnerships are not based on relations between two leaders, but rather on lasting relations between two peoples".

Rousseff, viewed as rather a cool person by the media, famously got along tremendously well with Biden. "I often congratulated President [Barack] Obama for having such a seductive vice president", she has reportedly gushed. Biden was the man tasked with restoring Brazil-US ties in the wake of the National Security Agency (NSA) scandal. He also represented the US at Rousseff's re-inauguration ceremony in January 2011 and led the preparations for her 2015 trip to the White House (which she had unilaterally cancelled over the NSA scandal).

Lagos to run for the presidency

Former president Ricardo Lagos (2000-2006) announced on 1 September that he would start campaigning for a second presidential term, seeking nomination in party primaries due in March next year, ahead of the first round presidential ballot due in November 2017. At present, it looks like an uphill race.

Chile's presidential elections are still approximately 14 months away. While the presidential aspirants are clearly assessing their chances, most say they will wait until after the municipal elections to be staged this October, canvas opinion and support, and perhaps make a statement of presidential intentions in early 2017. That is the stance being taken by another former president, Sebastián Piñera (2010-2014), who would be seeking to run for the centre-right coalition Chile Vamos.

Lagos, a man of the centre-left, has nevertheless broken ranks to declare early. In a statement he aligned himself with the reforms introduced by President Michelle Bachelet, saying the challenge for Chile was to make them sustainable, properly funded, and fully owned by the population. While Bachelet and Lagos are members of different parties (respectively the Partido Socialista [PS] and the Partido por la Democracia [PPD]), they are both members of the ruling centre-left Nueva Mayoría coalition.

But seeing Lagos purely as a 'continuist' candidate would be a mistake. There are signs his advisers believe the political tide is running strongly against Bachelet and the Left in general, and that without a new initiative disagreements within the ruling coalition could even lead it to break up next year. Launching his presidential campaign early is therefore seen as an attempt to change the dynamic, and to rally the coalition and public opinion.

On a personal level the latest survey published in August by the respected local pollster CEP showed Piñera leading the race for 2017 with 14% support, with Lagos trailing far behind in second place with only 5%. Lagos may have been motivated to declare early by a desire to stop that gap widening further and to gauge whether he could build any kind of momentum. The CEP poll also placed Lagos fifth in a ranking of most-popular politicians (he was behind Piñera, Senator Alejandro Guillier, and deputies Gabriel Boric and Giorgio Jackson).

According to various reports relations between Bachelet – whose approval rating has plummeted to an all-time low of 18% – and Lagos are rather frosty. The two did not speak before Lagos made his announcement. While Lagos has formally supported Bachelet's education, electoral, and labour reforms, he will need to differentiate himself as a candidate, and that could imply taking a more critical stance.

Lagos has three options:

The first option would be a pure 'continuist' play, supporting Bachelet's policies. The disadvantage of this approach is that it risks electoral defeat (he could, in fact, simply inherit Bachelet's current unpopularity).

The second option would be to break with existing policies, moving closer to the political centre (in his first presidency Lagos had a reputation as a business-friendly centrist). This strategy would seek to prise voters away from the Piñera camp in the first round of next year's elections, hoping that he could get enough of them to stay in the race and then appeal to the Left to 'stop Piñera' and help Lagos win in a second round run-off.

The third option would be to support Bachelet's reforms but to offer to 'do them better', applying greater political skill and effectiveness in their implementation. This approach would perhaps help hold the Nueva Mayoría coalition together (although it is far from clear whether the more radical left-wing Partido Comunista de Chile [PCCh] would stay on board with Lagos on the presidential ticket) but it would be a difficult message with which to inspire voters.

Volatile scenario

The CEP poll revealed another statistic: 62% of respondents do not yet know for whom they will vote next year out of the two main coalitions. The electoral contest could therefore be unusually volatile. For the Left, there are also other potential presidential hopefuls in play besides Ricardo Lagos, including José Miguel Insulza and Isabel Allende.

Construction sector may exceed forecasts

On figures of Paraguay's central bank (BCP), activity in the construction sector increased by 23% in the second quarter and by 12.8% in the first six months of the year on the back of increased private sector investment. This better-than-expected resulted has led Jorge Moreno, the president of Paraguay's construction chamber (Capaco), to note that the current favourable environment in the sector could lead to it exceeding its current growth forecast for the year of 13%.

ARGENTINA | Protests over job cuts. Tens of thousands joined a protest march in Buenos Aires on 2 September to demonstrate against public-sector lay-offs and the increases in utility tariffs. The march was organised by the country's second largest trade union movement, Central de Trabajadores de la Argentina (CTA), whose general secretary, Pablo Micheli, accused the government led by President Mauricio Macri of deepening a regressive economic adjustment, and threatened further action, including a possible general strike.

This was followed on 6 September by a warning from the recently re-unified Confederación General del Trabajo (CGT), the country's largest trade union movement, of possible strike action if Macri does not allow the re-opening of wage negotiations for 2016. CGT leader Carlos Acuña, a member of the CGT's ruling triumvirate, said that while most unions had accepted wage increases of around 30%, inflation would end 2016 at around 42%, leaving them worse off.

From China where he was attending the G20 summit, Macri said inflation was now falling and wage negotiations could not be re-opened until 2017. While the threat of strike action is serious, CGT leaders indicated there was still room to negotiate: Andrés Rodríguez, the secretary general of the civil service union Unión del Personal Civil de la Nación (UPCN), said "a general strike shouldn't be seen as a miraculous solution for all problems: it is not very close on the horizon".

PARAGUAY | Second quarter growth. The economy grew by 6.2% year-on-year and 2.5% quarter-on-quarter, according to the latest report of Paraguay's central bank (BCP), released on 6 September. The strong second quarter growth brought the accumulated growth rate for the first half of the year to 3.7%. According to the BCP report, growth in the second quarter was mainly explained by increased external demand for Paraguayan agricultural and energy exports and to a lesser extent to continued growth in the local construction sector (*see sidebar*).

BCP chief economist Miguel Mora said that this increase in exports (which overall expanded by 7% in the quarter) offset the still sluggish domestic demand (with domestic consumption increasing by just 0.4% in the quarter and domestic investment by 1%). Encouragingly, Mora said that BCP economists expect that the increase in activity in the agricultural and electricity sectors due to the higher exports should "spill over" into other domestic economic growth drivers in the second half of the year, ensuring continued growth. Indeed, Mora said that the preliminary second quarter results were what prompted the BCP to revise up its 2016 growth economic forecast from 3% to 3.5% back in July.

URUGUAY | Record high unemployment. On 6 September Uruguay's national statistics institute (INE) reported that the national unemployment rate reached 8.6% of the economically active population in July, the highest monthly unemployment figure since January 2008. This should be a source of concern for the government led by President Tabaré Vázquez as it shows that the current domestic economic slowdown is now starting to affect the labour market and producing significant job losses.

According to the NE report, the July unemployment rate increased by 1.1 percentage points compared to the previous month and by 1.6 points compared to July 2015. The employment figure stood at 57.8% in July, a figure marginally lower than the 58.5% registered the previous month and 1.3 points lower than in July 2015. Indeed, the local press calculates that 29,300 jobs have been lost in the last 12 months ending in July and that the total number of people seeking employment now stands at 153,000.

Campaigns underway

The president of Haiti's provisional electoral council (CEP), Léopold Berlangier, has announced the official start of the campaign period for the 9 October delayed presidential and partial legislative elections. Berlangier's announcement is in line with the new electoral calendar, unveiled by the CEP in June after it controversially annulled the October 2015 presidential first-round vote amid widespread allegations of fraud. It came a week after the CEP finally released details of its US\$55m electoral budget (see sidebar), putting paid to doubts which had emerged following the decision by the US to pull electoral financial assistance for Haiti in response to the CEP's decision to scrap the first round [[WR-16-30](#)].

Since Berlangier's announcement, the main contenders have begun their campaigns in earnest. These include Jovenel Moïse of Parti Haïtien Tèt Kalé (PHTK) – the party of former president Michel Martelly (2011-2016) – who won the scrapped October 2015 first round with 32.76% of the vote; Jude Célestin, of the Ligue Alternative Pour le Progrès et l'Émancipation Haïtienne (Lapeh) party who came second with 25.29%; Jean Charles Moïse of Petit Dessalines (PD), who came third with 14.27%; and Maryse Narcisse of Fanmi Lavalas (FL), the party of populist former president Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004), who took 7.05%.

Of the 54 original presidential first-round contenders, 24 have confirmed their participation in the October re-run vote, and one talking point of the campaigns so far has been Aristide's appearance on 29 August in Pétionville, a commune and a suburb of the capital Port-au-Prince, in support of Narcisse. According to the *Miami Herald*, this was Aristide's fifth public appearance since returning to Haiti from South Africa in 2011, where he spent seven years in exile.

Meanwhile the first pre-electoral survey by local private think-tank Bureau de Recherche en Informatique et en Développement Economique et Social (Brides), published in the local media on 23 August, showed the PHTK's Moïse (who the opposition maintained was the main beneficiary of the fraud in the scrapped first round) ahead with 41.0% of voting intentions; while Célestin was second on 25.2%; the PD's Moïse was third on 12.5%; and Narcisse was running fourth on 7.6%.

While the US and European Union rejected the CEP's decision to restage the vote (with the latter pulling its electoral observation mission in response), in a boost for the electoral process, the Organization of American States (OAS) confirmed on 31 August that it will deploy a 125-strong observer mission to oversee the vote on 9 October.

The announcement by the OAS – which has sent three electoral observer missions to Haiti since June 2015 – followed a report it released on 2 August on the 2015 electoral process which appeared to accept the decision to restage the presidential election. The 15-page OAS report acknowledged “significant organizational shortcomings in the 25 October election, including poorly trained polling station staff, inadequate conditions for ensuring ballot secrecy, and problems with the use of the indelible ink to identify individuals who had already voted. In addition, there was evidence of vote buying and voter substitution, as well as excessive numbers of political party representatives who were authorized to vote at polling places other than those where they were registered.”

Electoral budget

Last month Haiti's provisional electoral council (CEP) released details of its US\$55m electoral budget. The international media is reporting that US\$48.5m of this will come from several public agencies including the central bank (BRH) and the national credit bank (BNC).

Support

The two main presidential contenders, Jovenel Moïse and Jude Célestin, have received some notable backing ahead of the 9 October election. Former prime minister Evans Paul (2015-2016) of the Konvansyon inite demokratik (Kid) party has publicly thrown his weight behind Moïse while Célestin has received support from at least three of the members of the so-called 'G-8' grouping of opposition presidential candidates which rejected last year's election results and demanded a rerun (but which has since dissolved). These are: Eric Jean Baptiste (Mouvement Action Socialiste), who came in fifth place last year with 3.63% of the vote; Sauveur Pierre Etienne, of Organisation du Peuple en lutte (OPL), who came seventh (1.94%); and Steven Benoît of Konviksyon, who came eighth (1.14%).

In its report, the OAS also outlines a series of recommendations aimed at reforming the electoral process. In the immediate term, the hemispheric body calls on the CEP to make changes ahead of polling day which include better regulation and conduct of the role of political party representatives (known as 'mandataires') in order that their votes can be separated; better training and power for electoral staff so that they can provide better instructions to voters and help them better identify irregularities; and the employment of a different type of indelible ink for future elections.

UN admits role in Haiti cholera outbreak

Farhan Haq, a spokesperson for the United Nations (UN), has been quoted in the international media as recognising the need for the organisation to do "much more regarding its own involvement in the [2010 cholera] outbreak and the suffering of those affected by cholera".

Haq's remarks, which were made on 18 August, marked the first time in six years that the UN has acknowledged responsibility for the outbreak which reports have long suggested was introduced by Nepalese peacekeepers from the UN stabilisation force in Haiti (Minustah). On the latest (July 2016) figures from the health ministry, 9,342 people have died from cholera.

Haq's remarks were hailed as a "ground-breaking first step towards justice" by international organisations like the Institute for Justice & Democracy in Haiti (IJDH) and its local partner, Bureau des Avocats Internationaux. According to an IJDH press release, the UN's announcement was made in response to a critical report by prominent UN adviser Philip Alston, one of several UN-appointed human-rights experts who have used their positions to call for a just response from the organisation since 2014.

The day after Haq's comments were reported, UN Secretary-General Ban Ki-moon issued a statement "deeply regret[ting] the 'terrible suffering' of the Haitian people" and noting that "the UN has a moral responsibility to support the victims and the country in overcoming the epidemic". However his statement was also quick to underline that a US federal appeals court upheld UN immunity from a damage claim filed on behalf of cholera victims in Haiti in October 2013, which called on the UN to compensate victims of the epidemic.

CUBA | ECONOMY

Drilling for cash

With the loss of the Venezuelan subvention, the Cuban government is suffering a severe liquidity crisis, as President Raúl Castro frankly admitted earlier this year, and the regime is leaving no stone unturned as it seeks sources of additional financing. Squeezing state workers is unlikely to deliver much of a windfall, and may come with political costs. The communist government is also looking further afield for economic support, including to its old partner, Russia.

As of 1 October, workers at over 94% of Cuban state companies will have to pay a tax on income and a new 'special contribution' to social security. The deputy finance minister, Meisi Bolaños, said that state workers earning over 500 pesos a month (roughly US\$20) will be subject to a new 5% social security tax, dubbed the special contribution to social security (CESS). Workers making over 2,500 pesos (about US\$100) also will be eligible for a new income tax of between 3% and 5%, the tax on personal income (Isip). Both taxes will be directly deducted from workers' paycheques each month.

The new levies will affect about 1.5m public sector workers, according to Cuban state media. Guillermo Sarmiento, director of the labour and salaries department at the labour and social security ministry, said that the CESS would help to expand Cuba's social security network, which covers around 1.7m pensioners in this rapidly-greying country, where the birth rate has long been low. While the Revolutionary leadership itself is now a gerontoc-

Declining Venezuelan oil supplies

Venezuela's oil deliveries to Cuba, previously averaging some 80,000-90,000 barrels a year, have declined by about 40% this year, industry and shipping experts calculate. Since last year Venezuela's state oil company Pdvsa, which owns 50% of Cuba's Cienfuegos oil refinery, has sought to ship oil to Cuba from other partners instead, including from Russia and Algeria, sending shipments to Cienfuegos from its Curaçao terminal, for example.

racy, Cuba's population pyramid has a very clear middle-aged spread, with a bulge in the sectors aged 45-59, meaning that the Communist island is similar to many Western European countries in facing a pensions 'time bomb'.

Taxes were scrapped after the 1959 Revolution led by Raúl's older brother Fidel (1959-2008), but the government moved to re-introduce some taxation after the loss of the Soviet subvention in the early 1990s, before rolling them back again. The new private sector in the country already pays tax, albeit there is not much available data as to the revenues generated.

Under a new 'tax system law' introduced in 2013, the government aims for a 'gradual and flexible' application of taxes. To date under this framework, private-sector workers, cooperatives (agri and non-agri), artists, creative and cultural sector workers, workers employed in foreign subsidiaries, transport companies and commercial companies and societies are all subject to income tax.

Meanwhile, with Venezuela, Cuba's strategic ally since 2003, no longer able to supply Cuba with the same volumes of cheap oil, Russian state media have reported that Raúl Castro has personally asked President Vladimir Putin to renew oil sales to Cuba. Details of a purported new deal were not made public but an official from Cuba's state oil company Cupet reportedly confirmed that talks were underway with Russia and Iran for the supply of crude oil and refined products, so as "to counter possible disruptions in imports from current sources". Iran's Foreign Minister Mohammad Javad Zarif was recently in Cuba, where he indicated Iran's ambition to strengthen bilateral relations with Cuba in agriculture, oil, petrochemicals, mining, medicine and engineering.

Another veteran Cuban ally, Angola, already has a strategic oil deal in place with the Havana government (including future plans for Angola's state oil company, Sonagol, to begin drilling Cuba's exclusive offshore economic zone once the US embargo is lifted). Finally, Algeria is also sending crude oil to Cuba for the first time, with Algeria's state-owned Sonatrach shipping an 80,000-tonne cargo of crude (some 515,000 barrels) to Cuba for delivery in October, according to a 7 September *Reuters* report, with plans for further deliveries later in the year.

TRACKING TRENDS

COSTA RICA | Renewable energy. Costa Rica's presidential office announced on 2 September that the country had run on 100% renewable energy for 150 days of the year so far, of which 76 had been registered since 17 June.

Citing figures from the national energy control centre (GENCE) of the national electricity institute (ICE), the presidential press release notes that 80.27% of the country's electricity in August was generated by hydropower; 12.62% by geothermal energy; 7.10% from wind; and 0.01% from solar power.

On 22 August the ICE hailed a July 2016 report by the Economic Commission for Latin America and the Caribbean (Eclac), which showed that Costa Rica is the largest producer of renewable electricity in Central America. The Eclac report showed that Costa Rica produced 31% of renewable electricity in the sub-region (hydro; geothermal; wind; solar; biomass or biogas) followed by Guatemala (20%) and Panama (19%).

Meanwhile an ICE report released on 14 July showed that Costa Rica closed the first half of 2016 with 96.36% of electricity generated from renewable sources. Of these sources, hydropower accounted for 69.36% of total energy; followed by geothermal (13.38%); wind (12.2%); biomass (1.4%); and solar (0.02%).

The 2 September presidential press release also cited ICE's executive president Carlos Manuel Obregón as saying that these figures will be boosted by the Reventazón dam, Central America's biggest hydroelectric plant, which is expected to produce 305.5 megawatts (MW) of energy when it comes on-stream fully on 16 September. The US\$1.4bn project has been developed by the State-owned Grupo ICE.

POSTSCRIPT

Quotes of the week

“In cases where the property/assets of fellow citizens or companies are affected by a foreign government, as Donald Trump has threatened, the Mexican government should proportionally expropriate assets and properties of foreigners from that country on our territory.”

A draft bill submitted by Mexican federal senator Armando Ríos Piter to review dozens of existing bilateral treaties with the US if Donald Trump comes to power and moves to build a wall.

“The coup d'état is consummated.”
Former Colombian president Andrés Pastrana, who presided over a failed peace process with the Farc, says he will be voting 'No' in October's referendum on the peace accord struck in Cuba.

“You coward, Maduro; you sent an armed gang to Margarita airport for me!”
Venezuelan opposition figurehead Henrique Capriles Radonski accuses President Nicolás Maduro on Twitter of ordering a pro-government gang to surround Margarita airport to delay his flight.

Argentina's Macri gets legal fillip

Argentina's President Mauricio Macri received a boost this week from the country's supreme court. Efforts by his government to cut the fiscal deficit by increasing gas, electricity, and water utility tariffs have become bogged down by political and legal challenges, but a supreme court ruling gave it a helping hand on the electricity front.

The current state of play is that higher gas tariffs are on hold after the supreme court ruled against them in August [WR-16-33]; higher electricity charges may be allowed to proceed after all, following a separate supreme court ruling; and higher water rates are still blocked because of legal challenges in lower courts. The net result is that an embarrassing and costly deadlock may slowly be on the way to resolution, although further surprises cannot be ruled out.

The original increase of up to 400% in gas tariffs to residential and commercial customers came into effect in April but was reversed (for residential users) after protests by consumer lobbies led to a supreme court ruling requiring the government to carry out a public consultation. The government has now tabled an alternative plan. According to the energy minister, Juan José Aranguren, a new set of increases averaging a lower 203% is being proposed to start from October, but these will be subject to a public consultation to be held on 16 September. The plan allows for bi-annual tariff increases of no more than 10% each, a response to the supreme court stipulation that consumers should have a degree of predictability concerning future price rises. Under the revised plan expensive gas subsidies will be phased out by 2019 (although not until 2023 in Patagonia where tariffs will be raised more slowly).

The boost for the government came in the form of another supreme court ruling, on largely technical grounds, overturning a Buenos Aires provincial court ruling blocking an increase in electricity tariffs. The supreme court rejected the lower court's decision on the grounds that the petitioners could not legitimately claim, as they had, to represent all users. Officials are confident public utility tariffs will be increased without further legal problems. While public hearings are required, they are not binding so changes are unlikely to be blocked a second time. That said, big tariff increases are politically unpopular, and the government realises it has to proceed with greater caution – for instance, by gradually reducing disparities between tariffs in different provinces, which have irritated consumers.

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