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## Little seasonal cheer in Venezuela

President Nicolás Maduro has taken on a new role – Saint Nicholas – assuring Venezuelan children that he will personally ensure sure that their toys are delivered on time this year. Not for Maduro a magical sleigh though, instead he ordered confiscated the entire stock of the country's biggest toy wholesaler for redistribution at a 'fair cost'. For frazzled parents across the country, it was little consolation perhaps, as they added a lengthy line at the bank to their daily queue roster.

Just days ahead of the introduction of new higher denomination local currency notes, due to be phased in from 15 December, President Maduro announced that the country's most used and highest-denomination bill, the 100-bolívar note, would lose legal tender within 72 hours. All bills were to be handed in for exchange or deposited with financial institutions. Maduro accompanied his move by unilaterally closing the border, first with Colombia and later with Brazil.

Maduro declared that the measure was "radical but necessary", because the 100-bolívar bill was being used by unscrupulous elements to destabilise the country. He complained that 'mafias' have been hoarding the bills, using them to purchase the subsidised goods sold in state-run supermarkets and then selling those goods on at huge profits – including back to Venezuelans – and also in neighbouring Colombia. They also use the bills to buy Venezuela's dirt-cheap fuel in large quantities and sell it on over the border in Colombia – a practice that has been going on for decades because of the huge differential in fuel prices between the two countries. The government also claims that these mafias/criminal gangs were using the smuggled Venezuelan notes to buy guns and ammunition. And reportedly, 100-bolívar bills are also 'bleached' by criminal gangs and used to make counterfeit US dollars.

The interior minister, Nestór Reverol, claims that one or more NGOs have been paid to take large quantities of 100-bolívar notes out of the country in order to destabilise Venezuela. These notes were allegedly moved via Colombia to warehouses in countries including Spain, the Czech Republic, Ukraine, Poland, Switzerland and Germany. Reverol suggested that the US Treasury Department was among those behind this scheme, as part of the economic and financial 'war' purportedly being waged against Venezuela (by an international right-wing conspiracy). This 'war' is designed to topple the Bolivarian Revolution and see a 'friendly' government installed. Reverol suggested that over BF300bn in 100-bolívar notes (about US\$447m) had been taken out of Venezuela in this way. The cash stored in the European warehouses is then used to finance 'terrorist' activities against Venezuela, he added. The Caracas government routinely attributes energy blackouts and other infrastructure failings to terrorist attacks by its opponents. As for the NGOs (unidentified), Reverol claimed that these were paid US\$1 for each bill taken out of the country.

## Sales tax

The information minister, Ernesto Villegas, announced a reduction in sales tax for those using debit or credit cards. The government wants to boost electronic transactions, which are easier to monitor and control. Venezuelans have weak confidence in the electronic system – only last week people were queuing up to get cash out of ATMs, which were running low on notes; a week later they are queuing up again to get rid of those same notes before they lose legal tender.

From Europe, where she had accompanied President Juan Manuel Santos to celebrate his Nobel Peace prize, Colombia's foreign minister, María Angela Holguín, made clear her frustration with the latest border closure, saying she had been "informed" of the decision in a brief telephone call with her Venezuelan counterpart, Delcy Rodríguez. Holguín complained that "it was not a consultation" and that the closure and the withdrawal of the 100-bolívar notes was hurting Colombian border towns, where bolívares are accepted. Holguín added that it would be difficult to remove all 100-bolívar bills from circulation in Colombian border areas within the stipulated 72 hours, and she revealed that she "had not been able to convince" Venezuelan authorities that payment in Colombia with those bills "has nothing to do with the differential in price in Venezuela between the official [US] dollar and the parallel [US] dollar [exchange rates]". Maduro had demanded that Colombia change its domestic legislation on foreign exchange trade at the border.

## More queues in Caracas

With a large informal sector, and about a third of the population unbanked, Venezuela has always been a cash-driven society, and all the more intensely so now that inflation is running in multiple digits. (While the central bank no longer publishes inflation data, the International Monetary Fund projects inflation of over 1,600% next year). The 100-bolívar bill is now worth less than 20 US cents at the secondary Dicom official exchange rate, and no more than two or three US cents at the black-market exchange rate, making it effectively worthless. Local people need large quantities of physical currency just to pay for their daily groceries. As such, the highest denomination 100-bolívar bill is by far the most widely used. On central bank (BCV) data, there were over 6.1bn in circulation in November, or 48% of the quantity of all currency (notes and coins) in circulation. Moreover, those 6bn notes were worth over three quarters (77%) of the total value of domestic circulating currency.

In a long overdue move, new higher-denomination notes are supposed to go into circulation from 15 December. New bills of BF20,000; BF10,000; BF5,000; BF2,000; BF1,000; and BF500, along with 100-, 50-, and 10-Bolívar coins are to be introduced. Normally, when a bill is being phased out it remains in circulation for an extended period – for example, when the Euro was introduced in countries like Ireland it ran for 12 months alongside the local currency, with old notes still accepted for exchange for several years afterwards. Maduro's announcement was completely unexpected, and predictably, panic ensued. Businesses immediately refused to accept the 100-bolívar bills and people raced to banks to exchange or deposit their notes. Some banks responded by imposing deposit limits, creating anger, and the government said that large deposits would be subject to scrutiny, creating fear and upset. The government was quickly forced to row back from its 72-hour deadline, extending for 10 days to 25 December the period for collection and exchange of the notes.

Meanwhile, anonymous sources from three of the main banks suggested to *Bloomberg* on 14 December that the new notes and coins had yet to arrive in the country. The central bank president, Nelson Merentes, would only say that the new notes would arrive "progressively", while the banking superintendency refused to comment on the matter. Maduro appeared oblivious to the chaos, with the government insisting that there was no panic and that the collection and exchange is proceeding smoothly. By contrast, Asdrúbal Oliveros, director of the Caracas-based economic consultancy Ecoanalítica, warned of the risk of a total collapse in the payments system in the country.

The opposition coalition Mesa de la Unidad Democrática (MUD) responded by proceeding with its largely symbolic political trial of Maduro in the national assembly. With the latest Vatican-mediated dialogue declared "dead" by the head of the assembly, Henry Ramos Allup, the MUD declared

## **Mercosur**

Foreign Minister Delcy Rodríguez, accompanied by her Bolivian counterpart David Choquehuanca, turned up in Buenos Aires on 14 December to attend a meeting of the Southern Common Market (Mercosur) to which she was not invited, tweeting that she was prepared to go in through the window if necessary. Venezuela was formally suspended as a full Mercosur member on 1 December; but Caracas refuses to acknowledge that and insists that it still holds the rotating presidency of the bloc. There were scenes – Rodríguez attempted to enter and later claimed she had been knocked over by guards. Argentina's foreign minister, Susana Malcorra, was clear that Rodríguez had been told, in writing and verbally, not to attend by the four founding Mercosur members. Argentina is now taking over the six-month presidency.

Maduro politically responsible for the rupture of the constitutional order, the breach of human rights, and the devastation of the country's economic and social base. The MUD based its declaration on Articles 2, 187 and 333 of Venezuela's 1999 constitution, as well as Articles 3 and 4 of the 2001 Inter-American Democratic Charter.

The ruling Partido Socialista Unido de Venezuela (PSUV) refused to take part in the legislative debate, with the party's bench spokesperson, Héctor Rodríguez, accusing the MUD of trying to instigate a coup d'état using constitutional instruments that "do not exist". The PSUV argues that the national assembly does not have the legal power under the constitution to impeach or remove the president, and that its actions are all for show, designed to destabilise the country. Technically, nothing the assembly does has any legal standing currently anyway, as back in July the supreme court (TSJ) ruled it in contempt for failing to adhere to its rulings.

Meanwhile, the TSJ's constitutional chamber re-appointed two electoral council (CNE) magistrates for another term (2016-2022). The two, Socorro Elizabeth Hernández and Tania D'Amelio (plus their alternates), were re-confirmed as the first and second principal rectors. In theory, it falls to the legislature to appoint CNE members, but because it is in contempt, the TSJ said it made the re-appointments in the name of institutional stability. The MUD reacted with fury; the assembly had already begun the process itself and the MUD insisted it would continue with that process. The appointment of neutral magistrates to the CNE was one of the key points on the agenda in the Vatican-mediated talks between the Maduro government and the MUD. The latest TSJ move does little to suggest that the talks will ever resume.

### **The MUD – impotent**

The MUD's efforts in the assembly are almost as worthless as the 100-bolívar notes. The opposition appears ever-more impotent in the face of the government's strong-arm tactics and its cynical use (and abuse) of power. The coalition now stands at a critical juncture, just a year after sweeping the midterm legislative elections with a two-thirds majority. The political cost of the failed Vatican dialogue has been high, exacerbating further the divisions within the group. Having declared it over, Ramos Allup has said that his party, the traditional Acción Democrática (AD), would no longer participate in the dialogue, which has been suspended until 13 January 2017. The AD, along with Primero Justicia (PJ), Un Nuevo Tiempo (UNT), Comité de Organización Política Electoral Independiente (Copei) and Proyecto Venezuela (PV) is one of the senior MUD parties.

Ramos Allup's comments come after Henrique Capriles Radonski (PJ) suggested that there were people in the MUD taking bribes from the PSUV to pass information to the government and who had worked to sabotage the dialogue. Some fingers on opposition blogs were being pointed at the secretary general of the MUD, Jesús 'Chúo' Torrealba, apparently because of his radical leftist political background (he started out in the communist party [PCV]). Torrealba's decision to take part in the latest dialogue, apparently without any consultation with his colleagues in the MUD (Capriles only found out about it on TV), earned him a strong rebuke from the outset, albeit most of the MUD eventually came on board in deference to the Vatican.

Voluntad Popular (VP), the radical MUD party led by the imprisoned Leopoldo López, has now called for renewed peaceful street protests under the banner of '#SíHaySalida' to demand Maduro's resignation. He also led the demand that the national assembly renew its political trial of Maduro, which had been suspended as part of the dialogue. With radicals now stepping into the vacuum left by the failure of dialogue, the outlook for the New Year looks potentially restive, just two years after the last major political violence in the country.



**Top court approves fast track**

Colombia's constitutional court (CC) has thrown a lifeline to President Juan Manuel Santos by voting by 8-1 that the 'fast track' mechanism his government had sought, in order to push through congress constitutional amendments and legislation to enact the peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc) with fewer debates, is valid. An adverse ruling would have dealt a severe blow to the peace process as the protracted debates would have led to a dangerously long limbo.

Despite the reservations of the political opposition orchestrated by the leader of the right-wing Centro Democrático (CD) in the senate, former president Alvaro Uribe (2002-2010), the CC ruled, after three days of debates, that 'fast-track' was a perfectly acceptable mechanism in the present scenario. The CC argued that it would be scrutinising all of the constitutional reforms and legislation approved by congress in relation to the peace accord with the Farc anyway to ensure that nothing contravened the constitution.

The ruling by the CC means that the passage of the pertinent reforms and bills will take half the time as only four rather than the customary eight separate debates will have to be held in congress. Additionally, under 'fast track', congress will only be able to vote 'yes' or 'no' on legislation, rather than discussing amendments.

President Santos reiterated the importance of 'fast track' during a trip to Norway. Speaking in Oslo, where he received the Nobel peace prize on 10 December, Santos also argued that "from my own experience, it is much harder to make peace than to wage war". Santos was referring not only to the tortuous peace negotiations in Cuba but the ensuing six months of debates in congress, even with 'fast track', to enact the peace accord fully, the monitoring and verification of the disarmament and demobilisation of Farc guerrillas and their rehabilitation into society, and the work of the transitional justice system, not to mention the reconstruction of vast areas of the country subjected to decades of armed conflict.

**Amnesty**

Just hours after the approval of 'fast-track' the interior and justice ministers, Juan Fernando Cristo and Jorge Eduardo Londoño respectively, presented to the senate an amnesty plan, which should benefit approximately 4,500 imprisoned guerrillas in addition to an unspecified number of demobilising guerrillas once they lay down their weapons. It would be possible to revoke the amnesty if the beneficiary were to commit further crimes in the future. Those who admit to or are accused of war crimes will not benefit from an amnesty but will go before special peace tribunals, provided the transitional justice system is approved by the CC. This is another urgent priority for the Santos administration, which would like the tribunals to be up and running as soon as possible.

**Farc expels dissidents**

As the D-day for demobilisation of Farc guerrillas into the 'concentration zones' agreed upon by the government and the Farc in the peace accord draws nigh, the Farc high command took action against internal dissidents. The high command announced the expulsion of two senior leaders and three mid-level commanders who had refused to demobilise.

**Farc in congress**

The Farc has chosen six people to represent the group in the discussions held in congress over the implementation of the peace accord. They are Jairo Estrada Álvarez, Pablo Cruz and Judith Maldonado in the senate, and Francisco Tolosa, Jairo Rivera and Imelda Daza in the lower chamber. They will have a voice but no vote. Estrada is an economist, historian and lawyer who took part in the Comisión de Memoria Histórica del Conflicto y sus Víctimas in the peace talks in Cuba. Cruz is a specialist in constitutional law and a former professor in the Universidad Autónoma de Bogotá. Daza is a leader in the Unión Patriótica, the left-wing party founded in 1985 as part of the peace process between the Farc and the administration of Belisario Betancur (1982-1986).

### Farc dissidents

“Our nation is going through a crucial moment in history. The path to an open peace that goes against the will of the most reactionary sectors of our country should not be hampered by a group of fools,” the Farc said in a press release announcing the expulsion of five dissidents from the guerrilla group.

The senior leaders to be expelled are ‘Gentil Duarte’ (Miguel Botache Santanilla), who participated in the peace negotiations in Cuba, and ‘John 40’ (Géner García Molina), commanders of the ‘Armando Ríos’ Frente Primero and the Frente 43 respectively in the Bloque Oriental, which operates in the central departments of Guaviare and Meta. The mid-ranking commanders are known as ‘Euclides Mora’, ‘Giovanny Chuspas’ and ‘Julián Chollo’. The Farc also reached out to errant guerrillas “pursuing a road of adventure with no future”.

In early July, the 200-strong Frente Primero announced that it would not disarm or demobilise after a peace accord was struck. The Farc then appointed ‘Gentil Duarte’ to command the ‘front’ and bring it back into the fold but this evidently failed.

The Frente Primero, which is strongly linked to the drug trade, did subsequently send a delegate to the Farc’s 10<sup>th</sup> conference but the government will be concerned that if ‘Gentil Duarte’ has decided to reject the peace accord the rank-and-file guerrillas under him will melt away too, either joining other drug trafficking organisations or forging their own. For its part, the Farc reached out to these guerrillas to ignore their immediate superiors and return to the Farc ranks where they would be “welcomed by [their] comrades”.

‘John 40’, meanwhile, was considered by the Colombian authorities to be the man in overall charge of the Farc’s drug-trafficking business, responsible for the smuggling of 100 tonnes of cocaine a year. ‘Euclides Mora’ had participated in the talks in Cuba. The defence minister, Luis Carlos Villegas, responded to the news of the expulsions by saying that the armed forces would come down hard on any dissident Farc units.

## BOLIVIA | DIPLOMACY

### Relations with Brazil tested

**The Bolivian government led by President Evo Morales last week called on Brazil to expel a Bolivian national, who is under investigation over the 28 November plane crash in Colombia, involving a Bolivian plane, which killed 71 people (including most of the members of the Brazilian football club Associação Chapencose de Futebol). The issue is serving as a fresh source of bilateral tensions.**

On 6 December Bolivia’s Interior Minister Carlos Romero demanded that the Brazilian authorities hand over Celia Castedo, an employee of Bolivia’s airports authority (AASANA), who is now seeking political asylum in Brazil. According to international media reports, on 5 December, federal prosecutors in Brazil said that Castedo had come to them in the Brazilian border town of Corumbá, Mato Grosso do Sul state, after AASANA accused her of negligence.

The case relates to Castedo’s alleged approval of the flight plan presented by Bolivian-registered charter airline company Lamia whose plane crashed on 28 November after running out of fuel. Some press reports claim that Castedo had initially flagged up doubts about Lamia’s flight plan, which revealed that the intended route was beyond the limits of the plane’s maximum possible flight time. However, on 6 December Romero said that Castedo had illegally bypassed migration controls on her way out of Bolivia in an attempt to flee justice, insisting that “There is no argument to justify an asylum request”.

The case has left the Morales government, which continues to struggle in its efforts to combat public corruption [WR-16-45], on the defensive over yet another official scandal, this time involving AASANA and Bolivia’s civil aviation authority (DGAC) whose executive personnel have been suspended

## Plane crash

On 1 December Bolivia's public works ministry (MOPSV) issued a statement outlining various measures taken in light of the plane crash three days earlier. These include the decision to suspend Lamia's operating licence and an investigation into how the Venezuelan-owned airline managed to obtain an operating licence in the first place.

as investigations take place (*see sidebar*). According to Bolivian media, the case could involve possible influence trafficking between DGAC and Lamia given that Gustavo Steven Vargas Villegas, the son of Lamia's general manager Gustavo Vargas Gamboa, had been working at DGAC for seven years as director of the national aeronautical register before resigning on 1 December. The Bolivian authorities arrested Vargas Gamboa and two of his employees on 6 December while his son was arrested four days later.

### Other signs of closer cooperation

The signs of diplomatic strain between Bolivia and Brazil take place amid more encouraging indications of cooperation in key areas like energy. Brazil remains Bolivia's most important export market with hydrocarbons accounting for the overwhelming bulk of exports.

On 29 November Bolivia's hydrocarbons minister Luis Sánchez announced that a new contract worth US\$140m annually had been inked to sell 2.24m cubic metres of natural gas per day (mmcm/d) to a Brazilian private company, Empresa Productora de Energía (EPE) based in the border city of Cuiabá. In 2015 EPE expressed an interest in purchasing gas for the generating plant, Central de Generación Mario Covas, which has a capacity of 480MW.

The two countries have in place a Gas Supply Agreement (GSA) which establishes a minimum sale of 24 mmcm/d and a maximum of 30.08 mmcm/d – and runs out in 2019.

The most recent figures published on 1 December by Bolivia's private-sector lobby, Instituto Boliviano de Comercio Exterior (IBCE), show that in the first 10 months of 2016, Brazil accounted for 20% of Bolivia's exports, worth in total US\$6.0bn (down 21% on the same period in 2015 – mainly due to the fall in commodity prices). This is ahead of the US (15%); Argentina (11%); and Colombia (10%). Brazil was Bolivia's second biggest source of imports. Over this period, Brazil accounted for 18% of Brazil's US\$6.8bn worth of imports, second only to China which accounted for 20%.

## PERU | POLITICS

### Standoff over education minister

**This week may be decisive in defining the future of President Pedro Pablo Kuczynski's government, which has been in office for five months. The key question is how a standoff with the opposition Fuerza Popular (FP), which has used its congressional majority to demand a vote of censure against the education minister, Jaime Saavedra, concludes.**

FP deputies, known as *Fujimoristas*, control 72 of the 130 seats in the single-chamber congress. They claim Saavedra is guilty of corruption and poor management, based on alleged wrongdoing in the purchase of computers and on delays in preparations for the 2019 Pan American Games. Government officials on the other hand suggest the motion of censure is a politically motivated show of force.

With a 40% approval rating Saavedra is the most popular minister in the government. Earlier this week there was a demonstration in his support, organised by students, the national human-rights commission, and the left-wing Frente Amplio (FA).

It could be argued that how President Kuczynski handles this show-down with FP could set the tone for the rest of his presidency, meaning that the stakes are high. Ahead of the censure session (expected on 15 December, as this issue went to press) Kuczynski said the government had considered escalating the matter by turning it into a vote of confidence not just in the

## Saavedra

Saavedra's education reforms are well regarded. He has been in office since 2013, being the only minister from the previous government of President Ollanta Humala (2011-2016) who was asked to stay on by President Kuczynski. Many suspect he has also been singled out because his education reforms affect the private university sector, in which a number of opposition politicians have an economic interest.

education minister but in the government as a whole. However, it had opted not to do so "to avoid a scenario of greater confrontation".

Kuczynski delivered a four-minute address to the nation supporting Saavedra. He began by stressing that the censure of a cabinet minister was a constitutional right of congress. But he went on to argue that Saavedra had not received "correct or respectful treatment" despite cooperating fully with respect to the questions he faced during his congressional appearance last week. "The education of our children...has not received [from FP] mature and responsible treatment either," Kuczynski went on. Any vote of censure, while legal, would be unjustified and no more than "a demonstration of power that will harm the country," Kuczynski added.

Kuczynski did offer a potential new tack to break the standoff however – the suggestion of a new "mutually respectful" political dialogue with the opposition and others to better manage "the enormous responsibility of governing the country". Within minutes, FP deputy Héctor Becerril responded by saying, "Saavedra will be censured; there is no negotiation with corruption", in an apparent rejection of Kuczynski's gesture.

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## TRACKING TRENDS

**PERU | Job formalisation.** The proportion of informal workers in Peru has fallen from 79.9% in 2007 to 73.1% in 2015, according to new data released by Peru's national statistics institute (Inei) on 12 December.

The small reduction in the informal workers and creation of formal employment over this eight-year period, which saw Peru's domestic economy grow at an average annual rate of 5.3%, highlights the difficulties in creating formal jobs in the country. This will be a matter of concern for the new government led by President Pedro Pablo Kuczynski, who has made promoting the formalisation of Peru's large informal economy one of his economic policy objectives.

The Inei data shows that the number of informal sector workers in the country last year was 11.6m. Meanwhile, there were 4.2m workers in the formal economy, or 26.8% of the economically active population. The proportion of formal workers increased by 6.7 percentage points over the period, translating into an annual growth rate in formal employment of 5.2%. But during this period of solid economic expansion, the number of informal workers also increased at a rate of 0.3%.

According to the Inei data, the economic sectors with the largest number of formal workers were the agricultural and fishing sector (3.9m), retail (2m), other services (1.7m), and transport & communications (1.5m). As for regions with the highest proportions of informal workers, the Inei report found that these are Cajamarca (96.9%), Amazonas (95.8%), Puno (95.7%), and Huancavelica (95.6%) – all four of which happen to be regions with poverty rates of 90% or higher.

**COLOMBIA | New central bank president.** The board of directors of Colombia's central bank (Banrep) elected Juan José Echavarría as its new president on 12 December. Echavarría will replace José Darío Uribe Escobar, who is stepping down after first being elected Banrep president in 2005 for a four-year term and securing two further re-elections.

Uribe's deft management of Colombia's monetary policy for the last 12 years led to him being named as central banker of the year by Emerging Markets magazine in 2007 and 2012, meaning that Echavarría, who holds a mining engineering degree from the Escuela de Minas de Medellín, an MA in economics from Boston University, and an economics PhD from the University of Oxford, has some large shoes to fill.

Chief among Echavarría's challenges as Banrep president will be to bring Colombia's inflation rate back to within Banrep's target range of 2%-4%, after the accumulated inflation rate reached 5.3% in November.



## Sparks fly as Macri and Massa square up

Relations between President Mauricio Macri and Sergio Massa, the leader of the Peronist grouping known as the Frente Renovador (FR), have taken a sharp turn for the worse. On the surface, the issue is a bitter dispute over a payroll tax (known as the *impuesto a las ganancias*). But behind that lies a potential repositioning of Argentine politics focused on next year's congressional elections, and on the presidential race in 2019.

The *impuesto a las ganancias* is applied to salaries above a certain threshold. As inflation erodes the value of the peso, the threshold has moved lower in real terms, bringing more workers into the tax bracket. For this reason, under the previous government the trade unions constantly demanded an upward readjustment of the threshold in order to reduce the tax burden. Former president Cristina Fernández (2007-2015), of the Frente para la Victoria (FPV, Kirchneristas) faction of the Partido Justicialista (PJ, Peronists), consistently turned down these demands.

In the 2015 elections the two main opposition candidates, Mauricio Macri and Sergio Massa, both promised to deliver an upward adjustment of the threshold. Once in office, President Macri honoured the commitment. He moved the threshold up modestly in 2016, and has been proposing to do so again in 2017. The increases have nevertheless fallen significantly short of trade union demands.

### Massa teams up with FPV

Things stood until last week when Massa, in alliance with the FPV and other parties, stole a march on the government and secured approval in the federal lower chamber of congress for an exceptionally large 40% increase in the threshold. The bill was passed by 180 to 86 votes in the 257-seat lower chamber – and acted as a firm reminder that the government remains in a minority in congress. The FR said the increase was justified as a response to harsh economic conditions. If the bill becomes law as currently drafted it will take roughly 1m workers out of the tax bracket.

The government was furious. Officials said the tax reduction was irresponsible, as it could cost the federal government Ar\$130bn (US\$8.18bn), force a recasting of the 2017 budget, and require a renegotiation to roll back funding deals with the country's provincial administrations.

### Exchanging diatribes

The immediate aftermath of the vote saw a war of words between the Macri and Massa camps. In what was taken as a direct allusion to Massa, Macri told a radio station "In the long term, when you are an impostor it comes to light in the end, because you just can't fool a lot of people for a long time". Officials have suggested that Massa is playing a double game flirting alternatively with the government and then with the FPV opposition. Cabinet chief Marcos Peña described Massa as "the least trustworthy person in the Argentine political system".

Massa, in turn, shot back an open letter to Macri, accusing the government of closing the door on talks on a compromise bill, and reminding him "your responsibility is to govern for everyone, including those who did not vote for you."

### Drug addiction

The government has declared a "national drug addiction emergency" running to 31 December 2018, part of its attempt to fight back against the spread of drug trafficking and drug consumption in Argentina. The decree aims to focus attention on the prevention, treatment and social inclusion of drug addicts.



## Amnesty

The Fernández administration launched an amnesty plan in 2013 but, just two years after the imposition of strict currency controls, it met with minimal success. Finance Minister Alfonso Prat-Gay insisted that the Macri administration's amnesty plan would be much more successful because Argentina had recently signed a host of information-sharing agreements with other countries "so it's going to be very hard for Argentines...to hide money that they haven't declared".

By early this week it looked as if both sides were beginning to tone down the rhetoric, and that some form of compromise might be reachable. Macri appeared to have convinced many Peronist governors that if the bill is approved as it stands in the senate, the president might opt not to veto it, and instead would reduce federal financial support for their provinces next year, to make up the financial shortfall. As a result some FPV and other Peronist senators, heavily influenced by the governors, had agreed to another round of discussions with the government and the trade unions before formally debating the bill.

The political background is important. The Argentine electorate can still be broadly seen as divided into three main blocks: Macri's centre-right Cambiemos coalition; the modernising Peronists, including Massa's FR; and the harder-line, old guard Kirchnerista Peronists in the FPV, who are still broadly loyal to Fernández.

### Electioneering

Although some of the dividing lines between these three groups have become fuzzy, Massa is still caught between the two other blocks, trying to calculate the electoral gains to be made by supporting the government, on the one hand, or by aligning with the FPV on the other. His latest turn allows him to appeal to the labour movement and to those who remain unhappy with the state of the economy.

Next October's mid-term congressional elections will be an important milestone, particularly in Buenos Aires province, where much of the FR's organisational strength is located. Buenos Aires governor María Eugenia Vidal, a member of the ruling Cambiemos coalition, fears her provincial-level alliance with the FR could be at risk if Massa persists in his apparent realignment with the *Kirchneristas*.

Much further ahead lie the 2019 elections, but some local analysts are already saying the next presidential race could well be a two-horse affair, between Massa, on the one hand, and a second-term-seeking Macri, on the other. If that is the case, Massa may need to decide how and when to differentiate himself politically from his once and future rival.

### Macri faces tax amnesty charges

Guillermno Marijúan, an Argentine prosecutor, has filed charges against President Macri, his cabinet chief Marcos Peña, and the economy minister, Alfonso Prat-Gay. At issue is a presidential decree said to have modified an earlier tax amnesty law, which allows residents to repatriate assets previously held overseas.

According to Victoria Donda, a left-wing member of the federal lower chamber of congress, the three members of the government used the decree to reverse a previous promise to exclude relatives of government officials from the offer. As a result, Donda says Francisco Macri, the president's wealthy father, could benefit from the tax amnesty, along with other relatives.

Although a judge must rule on whether the case can proceed, it remains a potential political embarrassment for the government, particularly since the president and his father have been named in the 'Panama Papers' affair, which broke earlier this year.

Argentine citizens are estimated to hold more than US\$200bn in overseas assets, and the government says that through the tax amnesty it is aiming to repatriate approximately US\$50bn of that. However, tax avoidance remains common and somewhat embedded in the culture of the country's wealthier families.

Carlos Melconian, a close confidant of the president and head of Argentina's national bank Banco Nación, recently gave a candid response to a question about his financial assets: "Like many Argentines I have money overseas," he said, adding "I will bring part of it back here, but I'll keep the rest outside, for my children".

## Prospects look bleak

**CNI more upbeat**

On 13 December, Brazil's national confederation of industry (CNI) released its own economic figures, which predicted that Brazil's economy would contract by -3.6% this year and grow by 0.5% in 2017. Industrial output will grow by 1.3% next year after seeing a fall of -3.9% in 2016, the CNI forecast, while the proportion of GDP created by industrial manufacturing will expand from 22.1% of the economy in 2016 to 22.3%.

Robson Braga de Andrade, the CNI president, said that the body was more optimistic than many business owners. The CNI predicts that unemployment will rise from 11.2% to 12.4%.

Brazil's central bank (BCB) released the latest instalment of its monthly survey of local economists on 12 December, in which they once again revised down their economic growth projections for this year. The consensus growth forecast among economists surveyed by the BCB now is that Brazil's GDP will contract by 3.48% this year, compared to last month's projection of a 3.43% contraction. Meanwhile the GDP growth prospects for next year also remain negative as the economists only marginally revised up their 2017 growth projections to -0.7% from the previous -0.8% forecast.

In the view of the economists consulted by the BCB, Brazil will not any time soon come out of the deep economic recession it has been immersed in since the onset of its current economic and political crisis that began in 2014 and reached a high point in August this year with the impeachment of President Dilma Rousseff (2011-2016). Last year Brazil posted GDP growth of -3.8%, its worst result in 25 years. But with Brazil's GDP poised to contract once again this year, the country is destined to post a second consecutive year of negative growth for the first time since its last major economic crisis in the 1930s.

The downward growth revision comes as the latest BCB data showed that economic activity in Brazil fell by 2.9% year-on-year in the third quarter, the tenth consecutive quarterly fall. This fall in activity came despite the efforts by the new government led by President Michel Temer to try to restore confidence in the domestic economy by seeking to reduce the prevailing political uncertainty and embarking on a government spending retrenchment drive aimed at reducing the mounting fiscal deficit and staving off concerns about Brazil's ability to service its debts.

While the Temer administration's efforts have calmed international financial markets and helped to stabilise the real, they have failed to fully restore consumer and investor confidence in Brazil, leading to the domestic economy's stagnation. Moreover, the painful cost-cutting measures implemented by the government and the persistent corruption scandal afflicting Brazil's economic and political elite – including the leaders of the federal congress and Temer himself – have produced widespread public discontent and sparked anti-government protests across the country.

The social unrest not only further undermines the domestic economy but also raises doubts over whether the Temer government can continue on its plotted course to take Brazil out of its economic crisis. Indeed, the drastic economic measures pursued by the Temer government are being met with increased resistance.

The 13 December approval by the federal congress of a bill sent by the government to amend the constitution, which seeks to cap federal government spending to no more than the inflation rate for the next 20 years, was met by mass protests in Brasília and other cities. Demonstrators complained that this would severely undermine the country's social development and 'punish' the poor by effectively cutting future federal government social spending.

Protesters gathered outside congress demanded Temer's resignation over the approval of the bill, or for him to face impeachment over the various corruption allegations implicating him. This has increased uncertainty over whether Temer can survive until the end of his term in 2018 while at the same time continuing to advance his economic reform plans. These include more unpopular measures, such as a comprehensive reform of Brazil's generous state pension system.

## Getting the troops off the streets

This month sees the tenth anniversary of a momentous decision: the deployment of Mexico's armed forces to combat the country's drug cartels. Ten years on, the debate is over how, if, and when, to try and get the military off the streets and back into their barracks. It is also – rather late in the day – about trying to find an acceptable legal framework for what the troops actually do when they are on patrol amidst the civilian population.

The decision to use the armed forces to fight organised crime was announced on 11 December 2006, by then-president Felipe Calderón (2006-2012). President Enrique Peña Nieto continued the policy after he took office in late 2012, at the start of a six-year term. Militarisation has had a massive impact on Mexican society. Critics say it triggered an uncontrollable spiral of violence. Over the last decade it is estimated that around 170,000 people died, some 30,000 disappeared, and resources totalling over US\$80bn were poured into the “war on drugs”.

The military has made gains – capturing or killing many top leaders of drug trafficking organisations (DTOs) and breaking some of them up. But new leaders and new criminal organisations have sprung up, hydra like, to replace them and the cycle of violence continues. Some Mexican states have become more peaceful, but in others, such as Veracruz, violence has increased. Ironically, 10 years on, Michoacán, where the troops were first deployed, is once more suffering acute violence in a battle between DTOs, self-defence militias, and the security forces.

The use of military units for domestic law enforcement has increased sharply. It is estimated that the number of military personnel assigned on a full time basis to domestic law enforcement tasks has doubled over the last five years. The number of joint military and police bases permanently assigned to public security tasks grew to 142 this year, totalling 3,386 soldiers and marines, up from 75 bases and 1,680 staff in 2012. A total of 368 military vehicles, up from 160 in 2012, are being used for domestic security.

On top of these resources the armed forces also carry out specific security operations in the most violent areas of the country: there have been 14 such sweeps so far this year. For security reasons the defence ministry (Segob) does not reveal how many troops are involved. At the start of the Peña Nieto administration in 2012 the military had permanent domestic security deployments in 19 of Mexico's 32 federal entities; that number has now increased to 24, or three out of every four in the country. The biggest military presence is in Guerrero (28 bases) followed by Estado de México (Edomex), Puebla, Tabasco and Sonora.

### Military policing

A key problem is that the Mexican armed forces have never been trained for law enforcement tasks. Like most military institutions they are trained to deploy overwhelming force against an enemy in situations of war, not for the more selective use of force amid civilian populations and for the nuanced investigation and detection roles that are traditionally required of the police.

Defence Minister General Salvador Cienfuegos recognised this on 8 December, saying that the military has never wanted to take over the tasks of the police: “we have no taste for it and we are not comfortable in this role; we

### Perceptions of insecurity

The role of the military in public security is a vexed question for the Peña Nieto administration. An opinion poll released by Consulta Mitofsky last week showed a massive 74.6% of respondents felt public security had deteriorated over the last year, while 47% felt that impunity for crimes had increased.

## **Cienfuegos speaks out**

This is the first time that Defence Minister General Salvador Cienfuegos has so publicly expressed his rejection of the decision taken by former president Felipe Calderón (2006-2012) at the start of his mandate to use the military to confront Mexico's drug trafficking organisations. He argued that problem of violence afflicting Mexico could not be resolved with "bullets", while demanding "a legal framework which supports [the armed forces] when it has to act".

did not study to pursue criminals, we have another function," was how he put it. But Cienfuegos has also recognised the intractable nature of the problem: he said he would raise "not one but both hands" for the army to be sent back to barracks and resume the role it is constitutionally assigned, but because attempts to reform the police have so far failed, there is still no-one else to do the job. "There has been no haste and hasn't been for years [to reform the state and municipal police forces] and we are confronting the problems," Cienfuegos said.

Various organisations have suggested different ways out of the dilemma. Mexico's human-rights commission (CNDH) this week called on the government to set out a road map for the "gradual and verifiable" withdrawal of the military "when conditions in the country allow it". It insisted that "civilian institutions" should enforce public security and the deployment of the armed forces should always be considered an "extraordinary measure". As part of his 2012 election campaign President Peña Nieto did in fact promise "gradual" withdrawal of the military but, as seen, under pressure of events its involvement has increased rather than decreased.

One remarkable fact is that after 10 years, there is still no comprehensive legal framework covering the military's involvement in domestic public security operations. Government critics say this is unconstitutional and allows a degree of impunity for human-rights violations (the army has been accused, for example, of frequently using torture and extrajudicial executions).

Cienfuegos says, on the other hand, that the legal grey area exposes his soldiers and marines to being unfairly sued in the courts. He recently suggested they are in a no-win situation, either risking prosecution for violating human rights or for refusing to obey orders.

### **Legalising military role**

There are in fact two bills submitted to the federal congress in an attempt to deal with this issue. Deputy Carlos Camacho, of the ruling Partido Revolucionario Institucional (PRI), has submitted one bill in the lower chamber of congress, while Senator Roberto Gil Zuarth, of the right-wing opposition Partido Acción Nacional (PAN), has filed the other.

Both make provision for military deployment in exceptional circumstances, when national security is under threat, but they also seek to regulate the details of what military personnel can actually do during these special periods. Senator Gil's bill would, for example, allow the military to intercept private communications, extract information, use geolocation data, and deploy "special investigation techniques". It also seeks to introduce the concept of appropriate use of force, stating that military units should "apply in a graduated manner dissuasion, persuasion, non-lethal force, and lethal force, as different levels of action, always seeking to give priority to the first and lower levels."

Deputy Camacho's bill says the military can be deployed in cases of organised crime, corruption, terrorism, and professional deficiencies in other security organisations, or even to combat climate change.

Over 30 human-rights NGOs have issued a joint statement opposing any rushed move to legislate in this area. The passing of either of the two bills into law, they said, could amount to "An attempt to normalise that which should be exceptional in any democracy: the involvement of the army in public security tasks such as patrolling, arresting citizens, and in investigating crimes".

These groups recognise that "the armed forces have done a job that the civilian authorities have not wanted, or been able, to carry out". However, they argue



## Returning to barracks

President Peña Nieto promised to take the military off the streets during his election campaign in 2012. He maintained at the time that he would accomplish this by creating a gendarmerie, but there was a long delay in the formation of this force which when it finally saw the light of day was heavily diluted, and merely subsumed into the federal police (PF). Peña Nieto then argued that the military would be able to return to barracks when violence fell to more acceptable levels, but after statistical progress in the first two years of his six-year term, violence and homicides have increased over the last two years.

that this should not legitimise a deployment that remains unconstitutional. Any legal framework to cover the army's current security deployments should be consistent with the objective of a "gradual and responsible" withdrawal of the military back to barracks, together with regulations governing the use of force, and providing for appropriate oversight and scrutiny.

## Electoral issue

The military's role – and the failure to date of the various attempts to reform the police, could become a big issue in the long run-up to the elections in 2018. Already one presidential hopeful, Margarita Zavala of the PAN (who also happens to be married to former president Calderón), has said she wants to see soldiers and marines "returning victoriously to their barracks, because they have put their lives on the line for our security." She did acknowledge that such an outcome would require getting the police and public prosecutors into a position from which they could guarantee citizen security – a task that has so far eluded two successive governments.

The leader of the radical left-wing Movimiento Regeneración Nacional (Morena), Andrés Manuel López Obrador, supported Cienfuegos, arguing that deploying the military against organised crime had failed to accomplish anything, and that the way to confront insecurity and violence was to "reactivate the economy, support the countryside, create jobs, provide opportunities for the young and guarantee the well-being of all".

López Obrador, who still maintains that he was the legitimate victor in the 2006 presidential elections and is positioning himself for a final tilt at the presidency in 2018, claimed that "after failing to win at the polls, Calderón wanted to legitimise himself with authoritarian actions, and this mistaken policy, it pains me to say, has caused 1m victims from violence".

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## TRACKING TRENDS

**MEXICO | Record formal job creation.** President Enrique Peña Nieto announced on 13 December that the domestic economy had created 1m formal jobs, a new record figure, in the first 11 months of the year.

Promoting formal job creation to help reduce unemployment and improve the general welfare of the Mexican public was one of the electoral campaign promises made by Peña Nieto before he assumed office in 2012. That jobs in Mexico's formal economy have continued to be created at pace in recent months, even as domestic economic growth has remained sluggish, is a boon for the Peña Nieto administration and suggests that its 2013 labour reform has had a positive impact.

Speaking at an event at Mexico's social security institute (IMSS), which oversees the enrolment of workers into the national social welfare system, Peña Nieto said that IMSS data showed that "for the first time we have reached 1m jobs created from January to November". Adding that this figure brings the total number of formal jobs created in Mexico since he assumed office to 2.6m, Peña Nieto argued that "this has become the employment government".

Peña Nieto hailed the fact that the jobs created during his term are better paid "quality" jobs compared to previous administrations. He said that IMSS data showed that 65% of the jobs created under his administration paid the equivalent of two minimum salaries, compared to 30% of the jobs created under the previous administration of Felipe Calderón (2006-2012).

In addition, Peña Nieto said that 86% of the jobs created since 2012 were permanent posts, compared to 60% in the Calderón years. Peña Nieto attributed the consistent creation of formal jobs to his administration's labour reform and efforts to simplify the job formalisation process, noting that today 78% of all procedures necessary for an employee to register with the IMSS can be done remotely via the internet, whereas only four years ago all of these had to be done in person.

**Picture becomes (a bit) clearer ahead of 2017****Philippe**

A controversial figure, Guy Philippe appears on the most wanted list of the US Drug Enforcement Administration (DEA) for charges which include conspiracy to import cocaine; conspiracy to launder monetary instruments; and engaging in monetary transactions in property derived from specified unlawful activity. He also made headlines during the electoral campaign after being implicated in an attack which took place in May 2016 on police headquarters in the coastal city of Les Cayes, Sud Department.

Just over a week after announcing preliminary results from last month's presidential vote [WR-16-47], the head of the provisional electoral council (CEP), Léopold Berlangier, revealed the winners of the partial legislative elections which also took place on 20 November. The results suggest that, while likely to be short of a majority in both the incoming 30-member senate and 119-member lower chamber, the Parti Haïtien Tèt Kale (PHTK), the party of former president Michel Martelly (2011-2016), whose candidate Jovenel Moïse looks to have won the presidential contest outright, will have the largest representation in congress. As with the presidential result, however, a string of appeals have been filed against the legislative results, suggesting the outcome is far from certain.

On 4 December Berlangier announced preliminary results for the second-round elections for 24 seats in the lower chamber and six seats in the senate – both delayed from last year's electoral contest and due to be restaged as a result of irregularities. He also revealed preliminary results for first-round elections to replace a third of the country's senators, whose terms were due to expire next month. In January 2016, 92 deputies and 14 senators received their credentials following the 2015 elections. Of the 24 seats for the lower chamber declared after the 20 November elections this year, five appear to have gone to PHTK, and at least two to its allies, giving Martelly's party and its allies some 49 seats.

As for the opposition, of the 24 newly declared lower chamber seats, four went to Plateforme Vérité (PV), the party of former president René Prével (1996-2001; 2006-2011). This means that PV and its allies will have a total of 24 seats. Meanwhile Fanmi Lavalas (FL), the party of former president Jean-Bertrand Aristide (1991, 1994-1996, 2001-2004), won two of the seats, in addition to six awarded back in January, while its allies, Renmen Ayiti (RA) and Petit Dessalines (PD), received one apiece in the latest round. The FL and its allies now have a grand total of 13 seats.

As regards preliminary results for the six senate seat run-offs, three look to have gone to PHTK and one to each of its allies, Réseau Nationale Bouclier Haïtien (Bouclier) and Consortium, the party of Guy Philippe, who led the armed uprising in 2004 that toppled Aristide (*see sidebar*) and who in fact won the senate seat. Back in January, the 14 senators to receive their credentials included two for PHTK, while its other allies, Konvansyon Inite Demokratik (KID), of former prime minister Evans Paul (2015-2016), and Ayiti An Aksyon (AAA) of Martelly's adviser Youri Latortue, received three seats and one respectively. The latest results thus give PHTK and its allies at least 11 out of 20 senate seats. Finally, as regards the first-round contest for the 10 senate seats due to expire in January 2017, just two were elected outright (winning a majority or defeating their nearest competitor by 25 percentage points or more) – of which one looks to have gone to the PHTK. The remaining eight will go to a second round which will take place on 29 January 2017.

**Appeals**

On 8 December, the CEP's head of legal affairs, Samuel Pierre, announced that a total of 30 appeals against the election results had been received. As well as three appeals against the presidential results – filed by Moïse's main rivals, Jude Célestin of Ligue Alternative pour le Progrès et l'Émancipation Haïtienne (Lapeh), who came second; the third-placed Jean-Charles Moïse of Petit Dessalines (PD); and FL's Maryse Narcisse – these include seven against the senate results and 20 against the lower chamber results. Definitive electoral results are due to be announced on 29 December.

**Army linked to death threats against judges?****Presidential corruption**

A judge has ratified the preventive detention of Tony Saca (2004-2009) and six officials who served in his cabinet, accused of embezzlement and money laundering [WR-16-43]. Separately, Carlos Pineda, the head of the supreme court's probity section, announced that there was no possibility of charging former presidents Alfredo Cristiani (1989-1994) or Armando Calderón Sol (1994-1999) with illicit enrichment because any case against them would have exceeded the statute of limitations.

President Salvador Sánchez Céren accused the four magistrates on the constitutional chamber of the supreme court of seeking to “destabilise” the army this week. Sánchez Céren’s comment marks a new low in relations between the government and the crusading constitutional chamber. It followed allegations by one of the magistrates, Rodolfo González, of army involvement in protests organised by groups linked to the government and the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN), in which death threats were directed at him and his colleagues.

“As commander in chief of the armed forces I want to defend them because they are being slandered,” President Sánchez Céren said on his weekly radio and television programme ‘Gobernando con la Gente’ on 10 December. González claimed that members of the army had participated in threatening demonstrations against the four magistrates, adding that he would present evidence that state resources had been used to finance these. Another magistrate, Florentin Meléndez, denounced death threats daubed on walls alongside their names and faces.

Without distancing his government or party from protests against the constitutional chamber, Sánchez Céren said that El Salvador was “a democratic, free country where people can express themselves and mobilise”. The defence minister, David Munguía Payés, meanwhile, maintained in a press conference that no active member of the military had participated in the protests or would take part.

The government and the FMLN accuse the constitutional chamber of blocking essential sources of financing and causing a liquidity crisis in El Salvador with its rulings, such as annulling a 2015 law allowing for the emission of US\$900m of bonds. The constitutional chamber also recently ordered the government to publish Sánchez Cerén’s expenses and trips, which he agreed to do but only after accusing the magistrates of “excess...and abuse [of their powers]”.

**TRACKING TRENDS**

**GUATEMALA | Job market prospects.** Guatemala is projected to lead the way in the region in terms of offering job opportunities, according to the latest report on employment expectations in Latin America for the first quarter of 2017 released by the US human resources consulting firm ManpowerGroup on 13 December. According to the Manpower report, employment opportunities in Guatemala’s labour market are set to increase by 16% in the first quarter of 2017, better than any other country in Latin America.

Alberto Alesi, Manpower’s regional director for Central America and the Dominican Republic, said that the positive projections for Guatemala were based on the “climate of optimism” that is currently prevailing in Guatemala’s business sector. Alesi said that this stemmed from the various infrastructure projects that are in the pipeline for next year, such as the construction of roads and hospitals, as well as large expected investments in the telecommunications sector, producing an increase in demand for skilled workers. This as a Manpower study found that 39% of Guatemalan companies were currently struggling to find adequately skilled employees this year, with 61% saying they were having to cover vacancies with existing staff. According to the study, the sectors in which a shortage of suitable candidates was most severe was in retail, technical jobs, and in office support staff such as secretaries and administrators.

Besides Guatemala, other Central American countries with good labour market prospects for next year, according to Manpower, are Costa Rica (with a 12% increase in employment opportunities), and Panama (8%).

## POSTSCRIPT

### Quotes of the week

“I have decided to take out of circulation 100-bolívar notes in the next 72 hours. There has been a scam and smuggling of the 100-bolívar notes on the border with Colombia. We have tried the diplomatic way to deal with this problem with Colombia’s government. There are huge mafias.”

*Venezuela’s President Nicolás Maduro.*

“I learnt a lesson: never submit anything to a referendum that you don’t need to.”

*Colombia’s President Juan Manuel Santos.*

“These are difficult times but not terrible. The electoral reverses [of leftist ‘progressive’ parties across Latin America] are temporary setbacks.”

*Ecuador’s President Rafael Correa.*

### Ecuador’s Correa takes pre-electoral risk

Ecuador’s President Rafael Correa has taken the bold decision to send a bill to the national assembly to increase taxes. Correa said that the tax on real estate profits was designed to target speculators and would have a negligible impact on ordinary Ecuadoreans. But when this tax was first presented to the national assembly in June last year, admittedly alongside a contentious inheritance tax reform, it prompted thousands of protesters to gather on Los Shyris, a busy straight in the commercial centre of Quito, as well as the coastal city of Guayaquil and further afield. The upshot was that Correa withdrew the bill until a “great national debate” could be held. Correa has not risked trying to push through the inheritance tax reform again but there is still hostility to the real estate tax reform which, with just two months to go until general elections, could undermine the prospects of the man bidding to become his successor, Lenín Moreno, for the ruling Alianza País (AP).

President Correa said the tax on real estate profits would hit “illegitimate profits”, especially earnings from revaluations linked to speculation or sudden windfalls due to nearby public investment projects. He cited as an example properties located near the recently erected headquarters of the Union of South American Nations (Unasur) in Ciudad Mitad del Mundo near Quito which have leapt in value. The proposed reform aims to levy a tax of up to 75% on extraordinary profits from property sales, but the details of how much vendors would have to pay and, if reselling, for how long after the initial purchase it would be applicable, remain to be thrashed out.

Correa insisted it was an “extremely good” tax presented by his government out of “conviction”, but he admitted it might be detrimental to AP. Between one third and one half of voters are undecided, according to opinion surveys. Some 500 people turned out to demonstrate against the proposed tax reform on Los Shyris this week but more protests are being organised on social networks for the days ahead. The political opposition argues that the proposed tax would damage the construction sector, which is set to contract by 10.3% this year according to central bank projections, and affect GDP growth.

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