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## A sense of growing foreboding in Mexico

The mood in Mexico this week was dark, for two connected reasons. With only days to go before the inauguration of Donald Trump as the next US President, fear and uncertainty over his policies towards Mexico continued to worry the government led by President Enrique Peña Nieto and to exert fierce downward pressure on the Mexican peso. This comes as the country is reeling from the *gasolinazo* – a sharp increase in petrol prices that led to protests, blockades, looting, and six deaths in different parts of the country. The full political consequences of the new mood may take some time to play out.

Most Mexicans believe Donald Trump is bad news for their country. A stream of tweets from the US president-elect this week has targeted automobile companies, urging them to cut their investments in Mexico and to move assembly operations to the US. Ford Motor Company indeed cancelled a US\$1.6bn investment in San Luis Potosí. Chrysler said US tariffs might make “production of anything in Mexico uneconomical and we would have to withdraw”. On 11 January, Trump used a press conference to repeat his mantra that “we are going to build a wall” along the border, which he said would ultimately be paid for by Mexico.

The press conference, at which Trump also spoke ambiguously of introducing a “border tax” on companies carrying out manufacturing operations in Mexico, sent the peso tumbling to record lows. President Peña Nieto, who shortly beforehand had replaced his foreign minister in an attempt to open a viable communications channel with the Trump team (*see pages 3-4*), was forced to respond. Addressing an annual meeting of the country’s diplomatic corps, Peña Nieto rejected the use of “fear and threats” to influence corporate investment decisions. He added that he stood ready to negotiate, but that Mexican sovereignty could not be compromised. Peña Nieto reiterated once more that Mexico would not pay for a border wall.

A sharp deterioration in bilateral relations with Mexico’s most important trade and strategic partner would be a serious matter in normal times. But these are not normal times. Mexico has now entered the last two years of Peña Nieto’s six-year presidency and the government is deeply unpopular. Peña Nieto’s approval rating has slumped to 24% (down from around 50% in 2014).

Street-level anger was crystallised by a decision to raise petrol prices by between 14% and 20%, effective 1 January. This move was supposed to be part of Mexico’s transition to more liberalised energy markets and reflected a government commitment to reduce energy price subsidies. Yet the increase was much sharper than expected because international oil prices have recovered a little, the peso has depreciated a lot (another manifestation of the “Trump factor”) and refinery output at the cash-strapped state oil company Pemex has slumped. Mexico has become highly dependent on petrol imports from the US.

## Peña Nieto defends petrol price increase

President Peña Nieto argued that the government faced tough choices. He said that keeping petrol prices artificially low would necessitate cutting social programmes which his government was not prepared to do. "Sometimes it is necessary to opt for the lesser of two evils, and what the government has done is prioritise spending, especially with regard to policies for our country's most vulnerable sectors," Peña Nieto said on 7 January in justifying the price increases. Speaking at a protest march in Ciudad de México two days later, the secretary general of the left-wing opposition Partido de la Revolución Democrática (PRD), Beatriz Mojica, accused the government of blaming international issues and other circumstances for the petrol price increase when it was "because of the energy reform".

This volatile cocktail triggered a chain of events that started with panic buying, and rapidly escalated into attacks on petrol stations, street protests, road blocks, and looting. There were protests every day during the first week of January, sweeping through Sonora and Nuevo León in the north, Puebla in the centre, and Guerrero and Chiapas in the south. By 10 January it was estimated that over 300 retail outlets had been looted across the country and 180 petrol stations remained closed because they had been occupied, had no fuel to sell, or had cash flow problems. Over 1,500 people had been arrested. Police were injured (a few were also caught on film taking part in the looting). Six people died.

An opinion poll by the national daily *Reforma* showed 99% of respondents opposed the petrol price hikes and 68% supported protest action. Over one in four supported road blocks and "sabotaging petrol consumption". Despite the real anger in the country, many sources suggested that only a small minority had carried out the violence and the looting, organised by mysterious groups using social media. Mexico City officials said they had video evidence of groups of 10 to 50 people looting in a coordinated fashion, and engaging the police in street battles.

Andrés Manuel López Obrador, the leader of the radical left-wing opposition Movimiento Regeneración Nacional (Morena) is a potential beneficiary of the new mood. He has consistently opposed the energy reforms and claims to have predicted the inevitability of the *gasolinazo*. Already considered a frontrunner in the 2018 presidential race, López Obrador could benefit from a radicalisation of Mexican public opinion and a rise in anti-Trump sentiment. López Obrador suggested that the violence had been organised "by the right-wing and the mafia in power" as a destabilisation tactic.

López Obrador was not the only politician seeking to adapt to the new situation. Margarita Zavala of the right-wing opposition Partido Acción Nacional (PAN), another presidential hopeful, was quick to say the protests were not just about petrol but also about government corruption and mismanagement. "Indignation is due to the abuse, the lies, the injustice and the corruption," Zavala said in a video message.

Jaime 'El Bronco' Rodríguez Calderón, the independent governor of Nuevo León who has revealed his intention to run for the presidency in 2018, is seeking to cut local taxes so that transport fares will be held steady despite the impact of the *gasolinazo*. Addressing mayors and local and federal deputies in the metropolitan area of Monterrey, the state capital where some of the most populous protests have taken place, Rodríguez made a series of populist gestures. He said he would cut his salary, and that of his cabinet ministers, by 20%, and would abolish bonuses for public officials in order to provide better salaries for teachers and recruit more police officers.

Many analysts believe the latest events will pull Mexico from a low to a higher inflation environment, with the danger that a wage-price spiral will be initiated. In an attempt to head that off, the government hastily organised a 'social agreement' with business groups, trade unions (led by the Confederación de Trabajadores de México [CTM]), and agricultural workers on 9 January to condemn the violence and undertake a series of joint actions and commitments to limit inflation. Perhaps indicative of the mood in the country, the influential business group Coparmex refused to sign the agreement, dismissing it as a PR exercise that lacked clear goals or measurable targets. Coparmex came up with a counter-proposal a day later urging the government to boost investment in refining capacity and pipelines to reduce the cost of transporting petrol; clamp down on oil theft; and produce better targeted social programmes.

## The Videgaray enigma

### Videgaray responds to Trump

Luis Videgaray took the opportunity to respond indirectly to Donald Trump's infamous campaign speeches when the latter claimed that Mexico was "not sending its best [but rather] criminals and rapists". Videgaray said that Mexicans in the US were "not criminals" but "productive people" who represent "the best of Mexico", many of whom "work tirelessly" in retail and agriculture. "Their contribution to the US social fabric enriches the historical tradition of generations of emigrants that one after the other contributed to our neighbouring nation's welfare," Videgaray said.

The sequence of events is, to say the least, puzzling. On 31 August 2016 the then US presidential candidate, Donald Trump, paid a highly hyped one-day visit to Mexico. The handling of that visit was widely seen as a diplomatic humiliation for the country. An embarrassed President Enrique Peña Nieto responded by dismissing his finance minister, Luis Videgaray, who was identified as the main architect of the Trump visit. But here is the strange part. Fast-forward to just four months later: Trump, now having won the elections, is set to take office; Peña Nieto has once more turned to Videgaray for help on how to handle Trump, appointing him as the new Mexican foreign minister.

Opinion in Mexico is sharply split between those who think the return of Videgaray is a terrible mistake, and those prepared to see it, on the contrary, as an intelligent response to the threat to Mexican national interests posed by the incoming Trump administration. The anti-Videgaray camp is convinced that his attempts to engage with Trump so far have been fatally flawed. They stress that the incoming US President is a politician who built much of his campaign on anti-Mexican sentiment and who still says he will tighten frontier controls, deport millions of Mexicans, increase tariffs, renegotiate free trade agreements and force automobile companies to stop investing in Mexico.

Detractors cite Trump's end-August visit to the country as a microcosm of everything that was wrong in the Mexican response. Trump ruthlessly used the visit to boost his campaign, insisting immediately on his return to the US that Mexico would "100%" pay for the frontier wall. Trump simply ignored President Peña Nieto, who said that during the meeting he had made absolutely clear that Mexico would refuse to pay for the wall. The "pay" versus "we won't pay" ping-pong is still continuing after over six months.

Peña Nieto is now seriously unpopular in a country which traditionally maintains decent approval ratings for heads of state. Videgaray shares some of that unpopularity, among other things because both men were implicated in conflict of interest claims in 2014. Additionally, as finance minister, Videgaray imposed fiscal austerity measures that did little to endear him to the general population. He has always been seen as a close adviser to Peña Nieto. During his time at the finance ministry he was thought to be in the running as a potential presidential candidate for the ruling Partido Revolucionario Institucional (PRI) in the 2018 elections.

A few days ahead of the pack the left-wing weekly *Proceso* correctly predicted that Claudia Ruiz Massieu, who had been foreign minister for just over 16 months, would be moved to make room for Videgaray. It cited an unnamed Mexican diplomat who described the incoming minister unflatteringly as "astute, manipulative and vengeful".

In more measured terms Salvador Espinosa, a Mexican academic at San Diego University, said, "I don't agree with the appointment, I don't think Videgaray has the right profile for the job and I've always opposed people who are not career diplomats getting the foreign ministry position". More hostile critics say Videgaray will simply sell out Mexican interests. "Videgaray has been assigned because he will be willing to do everything Trump suggests," said Senator Miguel Barbosa of the left-wing opposition Partido de la Revolución Democrática (PRD).

## Tillerson

Fear in Mexican government circles about the deep uncertainty generated by the advent of Donald Trump is balanced by a belief that those in senior positions within the new US administration will advocate pragmatic policies. Comments by the former oil boss Rex Tillerson, Trump's nomination for secretary of state, during his senate confirmation hearings on 11 January are a case in point. Tillerson said Mexico was "a long-standing friend and neighbour", adding that the Trump administration would "engage with Mexico because of their importance to us in this hemisphere". Questioned about Trump's characterisation of Mexicans as "rapists and criminals", Tillerson said "I would never characterise any population with a single term".

Others are more prepared to see his appointment as a smart defensive move. Videgaray reportedly has good relations with the new US administration. Trump has praised him in tweets and Videgaray is reputed to get on well with Jared Kushner, Trump's son-in-law and senior adviser. Analyst and immigration expert Pablo Enriquez said, "His appointment could be a strategy to calm bilateral relations because he has a good communications channel with the Trump team. It is a conciliatory move by President Peña Nieto. It could even be an attempt to relaunch Videgaray as a presidential candidate in 2018". (Videgaray has subsequently said he is not thinking about running for the presidency).

Gabriela Cuevas, a member of the right-wing opposition Partido Acción Nacional (PAN) and president of the foreign relations commission in the federal senate, is also willing to give Videgaray the benefit of the doubt. Cuevas, who describes bilateral relations as going through a bad moment and is critical of foreign ministry "inertia", says, "I'm confident that Videgaray can do more than what's been done over the last few years. If Videgaray can't do it, I don't know who can".

In his first statements since taking office while inaugurating the annual meeting of ambassadors and consul generals on 9 January, Videgaray said some were calling on him to follow a strategy of "conflict, confrontation and insults" with the US while others were forecasting "embarrassing submission". Mexico should avoid both those options, he said, choosing instead to "negotiate with intelligence and common sense".

Videgaray acknowledged the "gigantic, dynamic and complex co-existence" between Mexico and the US: "there is almost no aspect of our national life which is not related in one way or another to the US; migrants, trade, industry, agriculture, tourism, services, financial flows, energy, border security, the cooperation and fight against drugs, organised crime and terrorism". However, he said that the Peña Nieto administration would "negotiate with great self-confidence, without fear, in the the knowledge of the importance of Mexico's economic, social and political importance to the US".

In a subsequent television interview with journalist Carlos Loret de Mola, Videgaray said that the government had committed "important mistakes" when it invited Trump to visit Mexico in August. He admitted that he had played "a relevant role" in making that ill-fated visit happen. The mistakes had been made, he said, because everything was done in a rush; not enough consideration had been given to how the results of the meeting would be communicated and picked up by social media. However, Videgaray said he still felt arranging the meeting had been a "constructive idea".

Despite the views of those who favour engagement, the pessimistic view is based on the idea that Trump won the US elections promising to do a series of things that will inevitably have a negative impact on Mexico. However much of an "inside track" Videgaray can build with the Trump team, the new US President will need to deliver on at least some of those electoral promises. So the Mexican government is likely to be caught between a rock and a hard place – between the new Trump administration and its own, increasingly restless, domestic public opinion.

A survey published this week by the national daily *Reforma* showed that only one in 10 (9% of respondents) supported the appointment of Videgaray as foreign minister, while a massive 65% opposed it (26% had no opinion). On Videgaray's watch, 65% of respondents believe bilateral relations with the US will worsen, 66% think Nafta renegotiations will fail, and 68% think the depreciation of the Mexican peso against the US dollar will intensify.

## Dialogue of the deaf

Ernesto Samper, secretary general of the Union of South American Nations (Unasur), along with the three former presidents acting as mediators in the Unasur- and Vatican-backed dialogue effort in Venezuela, is returning to Caracas for the scheduled restart of the dialogue on 13 January. It is very unclear that the MUD, which walked away from the process late last year, will come back to the table. The local Church hierarchy too appears to have severe doubts about the dialogue. The head of the Venezuelan Episcopal Council, Monsignor Diego Padrón, told reporters early this week that the Maduro government was “principally responsible for the failure of the talks...There was not the will to reach an accord”. The council’s secretary general, Monsignor Víctor Hugo Basabe, added: “Regrettably, we have a government that is not able to fulfil its commitments...and a fractured opposition that does not know how to put the Venezuelan people’s interests before its own.”

## ANDEAN COUNTRIES

### VENEZUELA | POLITICS

## Stumbling into another year

“Nicolás Maduro wants a coup” was the title of the 11 January editorial in Venezuela’s leading daily, *El Nacional*, which argued that President Maduro’s accusations of opposition coup-mongering are nothing more than an excuse “to accentuate the repressive scene that is being built up, step by step, to progressively create a ring of fear and silence in the population”. “And those [ruling party] militants and sympathisers who view with disgust and sorrow how the poor scabble through bags of rubbish to sate their hunger will not escape from this military and police siege,” it added.

President Maduro sent out hard-line signals with his New Year’s cabinet reshuffle, which included the promotion of the loyalist governor of Aragua state, Tareck El Aissami, to executive vice-president, replacing Aristóbulo Istúriz and thereby becoming second-in-line to Maduro. According to the Venezuelan media, Maduro’s cabinet reshuffle followed an under-the-radar trip to Cuba. *El Nacional* suggested that the cabinet reshuffle indicated the tightening of the pro-Cuban faction known as the Frente Francisco de Miranda, led by Maduro, El Aissami and the former foreign minister, Elías Jaua (also brought back into the cabinet as education minister). This faction, the newspaper commented, has long been at loggerheads with the ‘4F’ military-backed faction led by Diosdado Cabello, number two in the ruling Partido Socialista Unido de Venezuela (PSUV). These power rivalries may be more than just political. Both El Aissami and Cabello are accused by US authorities of involvement in drug trafficking, at the helm of (putatively) rival cartels. US authorities also suspect El Aissami (of Syrian-Lebanese descent) of links to Hezbollah.

Maduro appears to have tasked El Aissami, a former interior minister under Hugo Chávez (1999-2013), with responsibility for security, putting him in charge of a new ‘anti-coup command’ that will “definitively destroy all vestiges of the oligarchic and right-wing coup d’état”. The command will work “24 hours a day to take preventative, legal and corrective measures against all internal *golpista* and terrorist sectors”. Led by El Aissami, the command will also comprise: Cabello; Néstor Reverol, the interior and justice minister, and a close ally of El Aissami; General-in-Chief Vladimir Padrino López, the defence minister and head of the armed forces; Admiral Carmen Meléndez, the vice president for political sovereignty and minister of the presidency; General Gustavo González López, head of the Bolivarian intelligence service (Sebin); Major General César Vega, Commander General of the Bolivarian Militia; Division General Iván Hernández Dallas, head of the military household; and Major General Franklin García Duque, the national police force commander. Twenty-four federal sub commands will operate with the support of the armed forces, the police and “all the patriotic and revolutionary forces in the country”, Maduro said. He added that the command would be “anti-traitor”.

El Aissami has got straight to work, with the detention on 11 January of Gilber Caro, a member of the opposition Voluntad Popular (VP) party and an alternative deputy for the state of Miranda (surrounding Caracas). Caro was detained by the Sebin after officers found an assault rifle and explosives in his car, according to a televised statement by El Aissami, who declared the arrest one of the first actions by the new anti-coup command. “Who knows what would have happened if we hadn’t detained and neutralised this threat,” he added. Calling VP a terrorist group, he declared it “responsible for the violence in our national territory”. El Aissami said, “We’re going to act with absolute firmness.” The vice president also claimed that Caro had a criminal record, alleging that he had served prison time on drug-trafficking and murder charges.

## **Rex Tillerson and Venezuela**

There is much interest in whether Donald Trump's nominee for secretary of state, Rex Tillerson, will bring his (rumoured) strong antipathy towards the Venezuelan government to his role (pending senate confirmation). Tillerson, formerly CEO of ExxonMobil, ran up against the Caracas government after Hugo Chávez nationalised the oil sector in 2007. ExxonMobil sought international arbitration and demanded US\$10bn in compensation, 10 times what Chávez was offering (US\$1bn). In 2014, Exxon settled for US\$1.6bn. Exxon is now actively prospecting in neighbouring Guyana, including in deep waters claimed by Venezuela. On 30 June last year, Tillerson announced a second big find in a year in Guyana, declaring that its two offshore 'Liza' wells had over 1.4bn in recoverable barrels of high-quality oil. "To put this in perspective, this is the equivalent of 1,400 Gulf of Mexico blocks," Tillerson said.

In a statement VP said that Caro, accompanied by his girlfriend and apparently returning from a family trip in western Venezuela, was the victim of a set-up, with the weapons planted in his car by the officers who pulled him over. "This is no more than an excuse to imprison, demobilise and intimidate those of us at the forefront of the non-violent fight for democratic change," it said, noting that two other VP activists had previously been arrested in similar circumstances (Yon Goicoechea and Carlos Melo). VP claims that 200 of its activists have been detained and imprisoned on spurious grounds since the wave of anti-government protests two years ago. The party president, Leopoldo López, serving a 14-year sentence for his alleged role in those fatal protests, is the country's most high-profile political detainee.

As vice-president, El Aissami is also the cabinet's chief liaison with the national assembly (AN), controlled by the opposition coalition Mesa de la Unidad Democrática (MUD). However, he immediately signalled little change in the Maduro administration's bitter stand-off with the MUD-run legislature, noting that all of its actions remained "illegitimate", as per last year's supreme court (TSJ) decision to rule the AN in contempt (for failing to adhere to its orders). The court too has continued its brinkmanship with the legislature, declaring its first New Year's sessions, in which the AN again declared that Maduro had abandoned his duties and broken with the constitution, to be "null and void". The TSJ reiterated that the AN does not have the authority to declare a presidential abandonment under Articles 232 and 233 of the 1999 *Chavista* constitution, stating that "such a status can only be conferred by the TSJ under special circumstances, including in the event of the president's death or resignation". While it was at it, the TSJ also advised Maduro to deliver his annual address (a constitutional obligation by 15 January each year) to the TSJ rather than to the AN, given that the assembly was operating irregularly and outside of the law. Maduro quickly agreed.

Meanwhile, "the most complex military exercises ever undertaken", according to Maduro, are ongoing at the country's second port, La Guaira (Vargas state), to prepare the country against "imperialist attacks". "We did an analysis of the probable character and actions of the enemy...and aggression was determined on the part of an imperialist country and its allies", stated Admiral Remigio Ceballos, Chairman of the Joint Chiefs of Staff, in clear allusion to the US. That the incoming US administration would launch a naval invasion of Venezuela seems extremely unlikely, but President-elect Donald Trump's hostile stance against the Bolivarian Revolution is a gift for Maduro. The exercise, dubbed the 'Integral Anti-Imperialist Action Zamora 200', in honour of the federalist hero General Ezequiel Zamora (1817-1860), will run until 15 January.

### **Borges takes the helm of the AN**

Julio Borges, of the moderate opposition party Primero Justicia (PJ), was elected the AN president for 2017, replacing the combative Henry Ramos Allup, of the traditional Accion Democrática (AD), who clashed heavily with the Maduro government all last year.

In his inaugural speech on 5 January, Borges blasted Maduro and renewed calls on him to step down from office early (before the presidential election due in late 2018). Borges also appealed to the military to withdraw its support for the regime. What to do faced with a government gone from authoritarianism to dictatorship? "...Fight, fearlessly and in every space, to save the constitution, Venezuela and the right to vote", Borges continued, demanding elections for mayors, governors, the president and also, "if necessary", congress (for which a ballot is not due until 2020). Regional elections for state governors and mayors due in December 2016 were postponed to the first half of 2017, albeit there is no guarantee they will be held this year either.

Borges is also seeking to encourage renewed unity within the MUD, which splintered badly late last year over the (now-stalled) Vatican-mediated dialogue. Given the Maduro government's continued aggressive 'divide and rule' tactics, this will be no easy task.

## Government pushes key tax reform through congress

### Tax reform

One of the modifications to the tax reform agreed upon by representatives of the lower chamber and senate was to introduce prison sentences of between four and nine years for individual tax evasion of greater than Col\$172.3m (US\$58,000). The tax reform also includes a 'monotax' for small businesses, which aims to increase formalisation of the economy, and a 'sin tax' on cigarettes, while preserving the financial transaction tax, known as 'cuatro por mil' because all customers pay four pesos for each 1,000-peso bank transaction.

Colombia's finance minister, Mauricio Cárdenas, met representatives of the three main international credit rating agencies in New York City on 11 January to outline the government's economic policy goals and objectives for 2017. Cárdenas was in buoyant mood after the approval of a major tax reform by Colombia's congress in the final days of last year. He had argued that failure to approve the multifaceted tax reform which, among other things, increases value added tax (VAT) by three percentage points to 19%, would have jeopardised Colombia's investment grade rating.

Cárdenas said he had travelled to the US to "give comfort" to Moody's, Fitch Ratings and Standard & Poor's, explaining why they would not need to entertain a downgrade for Colombia. It was noteworthy, however, that while promulgating the tax reform bill on 30 December President Juan Manuel Santos chose to focus not on the preservation of Colombia's investment grade rating but on thanking congress for helping to ensure the expansion of "vital social programmes to reach the most vulnerable Colombians". This was far from the most salient feature of the tax reform in the eyes of the right-wing opposition Centro Democrático (CD), led by former president Álvaro Uribe (2002-2010), and the left-wing Polo Democrático Alternativo (PDA), who had set aside mutual enmity to team up against the government in a hostile congressional debate.

The CD and PDA argued that the VAT increase was regressive and would hit low-income earners in the pocket, notwithstanding the exemption for some products in the basic family shopping basket, such as essential food and medicine, and public transport. PDA senator Jorge Robledo argued that VAT had now been applied to 65% of basic goods and would bite even harder because inflation is already high.

Unlike the CD, the PDA is full-square behind the Santos administration when it comes to approving legislation to implement the peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc) but it savaged the tax reform, arguing that if it were not for official corruption it would not be necessary. But the CD and PDA were not alone. Senators from Cambio Radical (CR), part of the ruling coalition Unidad Nacional, joined them in walking out before the vote. The CR appears to have been keen to avoid being associated with the unpopular VAT increase among other things. Vice-President Germán Vargas Lleras, the leader of the CR, is a presidential aspirant in 2018.

The senate eventually approved the tax reform by 43-16 on 22 December. But the CR's boycott caused considerable ill-feeling among other members of the quadripartite ruling coalition. Senator Roy Barreras of the Partido de la U accused Vargas Lleras of "liking cows but not milk", by which he meant that the vice-president is keen to take charge of key projects wielding a large budget (such as housing) but when he cannot get as much out of them due to an adjustment to public finances he drops his support. It is being speculated that Vargas Lleras could leave his position by March; he must leave by May if he is to run for president in general elections one year later.

While the senate accepted the VAT increase, it rejected the government's attempt to lower the income tax threshold to Col\$2.7bn (US\$909) per month from Col\$3.4bn, to bring more people into the tax net (*see sidebar*). In total, 41 modifications (for the most part minor) were made to the tax reform by the lower chamber of congress and the senate. This meant that representatives of both bodies had to meet to harmonise their versions of the bill, something they accomplished on 28 December.

## Farc tension

Timochenko claimed that nine members of the military had tried to “carry off” a Farc guerrilla on 20 December from the Meta municipality of Vista Hermosa, where some guerrillas had gathered ahead of transfer into 27 ‘concentration zones’. Timochenko said this had caused “extreme tension”. The commander of the army, General Alberto José Mejía Ferrero, denied the accusation. Mejía said the police had carried out an operation in Vista Hermosa against illegal armed groups, arresting seven members of the Clan del Golfo (Clan Úsuga), but this was not nearby.

Addressing the senate after the bill’s final approval, Cárdenas said that the reform comes at “the start of a new phase” with the enactment of the peace accord with the Farc, adding that areas most affected by the armed conflict would see more investment with tax breaks for businesses operating there. On the very same day the lower chamber of congress approved the amnesty law for members of the Farc by 121-0 and then 69-0 in the senate (CD deputies and senators attended the sessions but walked out before both votes) under the fast-track mechanism validated by the constitutional court.

## Farc starts demobilising after amnesty law approval

The amnesty law provides legal guarantees for Farc guerrillas to transfer to ‘concentration zones’ to disarm and demobilise. This they began to do in early January. The Farc’s largest and most powerful military front, the Bloque Sur, which comprises some 2,000 guerrillas, officially began to move into a ‘concentration zone’ in La Carmelita in the southern department of Putumayo, bordering Ecuador, on 8 January. So far there have been no major incidents but the maximum commander of the Farc, ‘Timochenko’ (Rodrigo Londoño Echeverri), did send a letter to the United Nations verification and monitoring mechanism on 22 December claiming that the army had violated the bilateral ceasefire in the central department of Meta (*see sidebar*).

## PERU | POLITICS & SECURITY

### Kuczynski undertakes shake-up of prison system

The government led by President Pedro Pablo Kuczynski is using the powers conferred by congress last September to legislate by decree in the public security sphere. On 6 January it published several decrees declaring a state of emergency in the prison system for two years and paving the way for the construction of new prisons, as well as toughening penalties for those guilty of violence against women, an issue which has been granted unusual prominence by the Kuczynski administration.

The principal focus of the announced prison reforms is to address overcrowding through the use of ‘foot shackles’ and the construction of new prisons and cell blocks in existing jails. At present there are 81,000 prisoners in Peru’s 69 jails; 50,000 more than capacity. The justice minister, Marisol Pérez Tello, said that some 27,000 prisoners could be fitted with an electronic tagging device to reduce overcrowding. Those charged with or found guilty of murder, kidnapping, rape, extortion, drug trafficking, illegal mining, embezzlement, bribery, influence trafficking or illicit enrichment, inter alia, would not be eligible for foot shackles. Priority will be given to the elderly, pregnant women, the sick, disabled and women with children under the age of three. Only inmates serving sentences of under eight years, or those being held in preventive detention accused of crimes that would receive a conviction of no longer than this, will be considered.

Another decree instructs the superintendence of national assets (SBN) and the commission for the official registration of informal property (Cofopri) to transfer land to the national prison authority (Inpe) to build new prisons. Inpe will also construct new blocks in any existing prisons with sufficient space and install more security cameras and mobile phone signal jammers, and improve electronic access systems for people and goods entering and leaving prisons.

Finally, the government issued a decree to crack down on femicide, and domestic and gender violence. Stiffer sentences will range from between two and five years in prison for those who cause minor physical or psychological injuries to women; between four and eight years for serious injuries; six and 12 years if the victim is a public official injured while carrying out her job; 10-15 years for sexual exploitation (15-20 if the victim is under the care of the offender); and a minimum of 25 years for the murder of young, elderly or pregnant women or victims of rape.



**Macri's post Prat-Gay game plan****Political conclusions**

Journalist Rogelio Núñez has drawn out four political conclusions from Alfonso Prat-Gay's dismissal. These are first, that there will be no economic 'super-minister' in the Macri government; second that the group led by Cabinet Chief Marcos Peña (and including ministerial coordinators Mario Quintana and Gustavo Lopetegui) has gained strength; third that the real 'super-minister' is Macri himself who will pro-actively hold the balance in the government; and fourth, that the pace of economic recovery will be one of the key factors in determining the result of the October mid-term elections.

President Mauricio Macri brought 2016 to an end by sacking his finance minister, Alfonso Prat-Gay. He starts 2017 with a new economic team, and a modified, but still recognisable, political game plan. As he prepares for the critical mid-term congressional elections due in October, success or failure seem to hang on two critical variables: the pace of economic recovery and the longevity of Peronist disunity.

In the end, Prat-Gay led Argentina's economic team for almost exactly one year, notching up some notable achievements, creating a few frictions, and coming up short in one or two places. What seems to have been his undoing is that he hankered after 'super minister' status, and clashed with other members of the economic and wider government team. In particular, Prat-Gay seemed unwilling to accept the authority of the cabinet chief, Marcos Peña, who is perhaps Macri's closest confidant.

In retrospect, Prat-Gay's unusual detachment during the big debate in December over payroll taxes (concerning the threshold at which the *impuesto a las ganancias* begins to be applied) was probably explained because he was on the way out. He leaves with a pretty impressive record – his major achievements being the fairly smooth transition to a freely floating exchange rate and the resolution of Argentina's long-standing dispute with holdout creditors. Prat-Gay can reasonably claim to be the man that brought Argentina back into full membership of the international financial system.

What Prat-Gay did not do was to deliver a rapid economic recovery. Macri's game plan was to introduce some necessarily painful economic corrections in the first half of 2016 (such as freeing the exchange rate and reducing energy subsidies), with a view to reducing inflation and kick-starting growth in the second half of the year. Whether that was realistic or not is now academic: it didn't happen. Third quarter GDP fell 3.8% year-on-year. Analysts are broadly positive about 2017, but it seems that the recovery is likely to materialise around six months later than originally planned. The job of making sure it happens has now been passed on to a more collegiate economic team, led by Nicolás Dujovne as treasury minister and Luis Caputo as finance minister.

The challenge for the government is to try and get the right balance between the politics and the economics. After one year in office Macri has seen some erosion of his popularity – the combination of high inflation and recession has been damaging. The economics will still be tricky. Dujovne has something of a reputation as a fiscal hawk, and has spoken of implementing a number of measures that are technically necessary – such as tax reform, further fiscal controls, and measures to improve competitiveness – which are hardly going to be vote winners.

On the other hand, the fact that the Peronist opposition is fragmented might give Macri a window of political opportunity. The best combination of events for Macri is a strong economic recovery in the first half of this year, coupled with continuing Peronist disunity. The worst would be more stagflation and a Peronist revival, capable of pulling together the different factions into a united opposition front, particularly in Buenos Aires province, the country's largest single electoral constituency (and one that was traditionally a Peronist stronghold until last year's surprise victory in the gubernatorial race by María Eugenia Vidal, a member of Macri's Propuesta Republicana [PRO] party).

## Inflation

Monthly inflation for the final quarter of 2016 averaged 1.7%, according to data released by the national statistics institute (Indec) on 11 January. Consumer prices in the City of Buenos Aires, a proxy used by the government, increased by 1.2% in December on the previous month, following a 2.4% increase in October and 1.6% in November. The central bank was not too far off its target of an average of 1.5% inflation for the final quarter which suggests that, while ambitious, the goal of 17% inflation in 2017 might not be missed by too much. Indec did not release an annual inflation figure for 2016 but private analysts put it at 40.3%. They are predicting inflation in excess of 20% in 2017. Indec says it will unveil a nationwide consumer price index this year.

In the October polls one third of the federal senate and half the chamber of deputies will be up for renewal. Lacking a working majority in either house, during his first year in office Macri has nevertheless managed to get most key bills approved, barring one or two setbacks. But to deliver a more ambitious agenda of deep structural reforms he will need a clear majority. The upshot is that the October elections will be a defining moment for Macri. If he fails to win a majority there is a sense that he will enter an ebb tide and is likely to end up being no more than a one-term president. Winning a majority for the government's Cambiemos coalition, on the other hand, would allow him to aspire to re-election in 2019 and to stake a claim to going down in history as one of the country's big reformist leaders.

At this relatively early stage the opinion polls are inconclusive, but they offer some clues as to where the main battlegrounds will lie. According to a poll in December by Ricardo Rouvier y Asociados, the Buenos Aires province electorate remained divided into roughly three-thirds. By a small margin the party with greatest support was the Frente para la Victoria (FPV) faction of the Partido Justicialista (PJ, Peronists), still loyal to former president Cristina Fernández (2007-2015). Second came Cambiemos and third the Frente Renovador (FR) faction of the PJ, led by Deputy Sergio Massa. Massa supported Macri against the FPV in last year's run-off presidential ballot. More recently he seems to be going over to the other side, flirting a little with the FPV (supporting them against the government in last December's conflict over payroll taxes [[WR-16-50](#)]).

A potential disappointment for Macri is that one year on, the electoral map of the province has not change very much. Facing multiple corruption charges, Fernández has been discredited in the eyes of many voters – but she retains a stubbornly loyal core of supporters and is still a force to be reckoned with. Ultimately, the mathematics is worrying for Macri: if two out of three of the electorate are inclined to vote for Peronist candidates, any comprehensive Peronist unity agreement is potentially devastating for Cambiemos.

Another poll among 250 opinion-formers, was a little more encouraging for the government. Carried out for *La Nación* newspaper it showed that 71% had a positive opinion of Macri's first year in office. While the bulk of them believed the economy had been only "fair", a convincing majority of 73% expected improvement this year. On average they expected inflation to come down from around 40% in 2016 to 23.3% in 2017 (see sidebar).

Perhaps most significantly, these respondents implicitly endorsed the policy of de facto "gradualism" that Macri has been following. A total of 72% agreed with the view that the government should gradually reduce the fiscal deficit so as "to minimise social conflicts". These results suggest that after his first year Macri still has Argentina's elites lined up in support (however that of course does not guarantee he will have wider appeal).

Despite the tight economic situation, Macri still has a few cards up his sleeve. There has been a significant tax windfall from an amnesty offered to Argentine citizens willing to declare holdings of overseas assets. This could be seen as one of Prat-Gay's parting gifts to the government. While urging the economic team to keep spending under control, Macri can be expected to put some of that extra money into his back-pocket, to do a little electoral pump-priming (some suggest it could be spent on boosting payments to Argentina's electorally important pensioners). Politically, Macri will do everything possible to play off one Peronist faction against the other. The recipe for 2017 may therefore be a carefully balanced mix of gradualism and political populism, so as to try to beat the Peronists at their own game.

### God features heavily in mayoral speeches

While Brazil is a secular state, several mayors asked for divine blessing during their inauguration ceremonies. The mayor of Rio de Janeiro, Marcelo Crivella, mentioned God six times in his eight-minute speech. But the prize for the most religious ceremony goes to the municipality of Sapezal in the western state of Mato Grosso. Instead of giving the keys to the city to her successor, outgoing city counsellor Ilma Grisoste Barbosa handed over a piece of paper, in which she symbolically handed the keys over to God. "I would like this city to belong to God and for the municipality to be under the protection of the Almighty...and annul all pacts to any other God or other religious entities," she said.

### New mayors make theatrical entrance

Following their inauguration ceremonies on New Year's Day, Brazil's mayors are attempting to carry out their election pledges on a tight budget. If last year was characterised by "crisis", "austerity" will be the new buzzword for Brazilian politicians in 2017. But the need to be frugal has not stopped the new mayors from attracting media attention. In São Paulo, business magnate-turned-mayor João Doria dressed up as a dustman to launch an urban cleaning initiative called 'Operation Pretty City'.

Meanwhile, in Brazil's 'marvellous city', the new mayor of Rio de Janeiro, Marcelo Crivella, staged a series of publicity events to get closer to the electorate. During a whirlwind tour of the city, he gave blood to a local hospital, participated in a capoeira fight in one of the city's largest *favelas*, and, in a symbolic gesture, planted a *pau brasil* – Brazil's national tree.

Mayors staged community events such as these to show solidarity with local people and prove their humility. In doing so, they are capitalising on a backlash against the rampant overspending under the previous administrations which pushed Brazil into recession. The mayor of Belo Horizonte (Minas Gerais), Alexandre Kalil, drove this message home in his inaugural speech, saying Brazil had ushered in a "new era" of anti-corruption and shrewd public spending. "Public money will no longer be exchanged for favours and pointless jobs," he said. "For those who don't understand this [new era], the people of Belo Horizonte will show you what they think," he cautioned.

More than staging political stunts to prove their commitment to austerity, the new mayors are also changing the way they speak. Gone are the old crop of more relaxed politicians such as the former mayor of Rio de Janeiro, Eduardo Paes, who by his own admission shared too many jokes with the media, sometimes swore in public and once told a disgruntled citizen to "chill out and have a beer" on *Twitter*. In his place are earnest orators like Crivella, who delivers sermon-like speeches and makes frequent references to God (see *sidebar*). Another group of mayors such as Doria, who previously starred in the Brazilian version of *The Apprentice* and Kalil, formerly a football manager, are known for their straight-talking, no-nonsense rhetoric.

However, no amount of publicity and rhetoric can disguise the more miserable underbelly of austerity. In contrast to the free-flowing funds which helped many candidates win their electoral campaigns last year, mayors will now have to face up to the challenging reality of running their states on minimal revenue. Around 12 of Brazil's 26 states are indebted to the federal government, despite a R\$4.5bn (US\$1.4bn) bailout from the treasury at the end of last year. To reduce their level of indebtedness, in their first week, several mayors announced civil servants' salaries would be delayed while others decided to cut jobs for public-sector workers.

Crivella was among the first to fire a dozen state secretaries. Moreover, he announced that more money-saving measures to cut Rio de Janeiro's R\$76.8bn (US\$24bn) debt would follow. "The order is the following: spending is prohibited," declared the mayor in his inaugural speech. Far from being defeated, Crivella has several ideas about how to generate new sources of income. Among them is a tax whereby visitors to Rio de Janeiro are charged R\$4 or R\$5 for every night they stay in the capital. Initially, Crivella said the money would be used to reimburse tourists who were mugged, raising eyebrows about how he could make such a promise given Rio's crime rates.

## Bachelet faces fresh criticism over Mapuche conflict

As has been the case previously, the start of the year was marked by indigenous Mapuche-related unrest in response to the anniversaries of two key events. One was the 3 January 2008 killing of a Mapuche activist, Matías Catrileo, by a militarised police officer (Carabinero), who was later absolved by the military justice system. The second was an arson attack which took place on 4 January 2013 and left an elderly married couple dead. This year has been no different. A resurgence of Mapuche-related unrest – stemming from historic claims to ancestral lands in the southern Araucanía, Los Ríos and Bío Bío regions – has subjected the unpopular Nueva Mayoría coalition government led by President Michelle Bachelet to fresh criticism regarding its failure to address the long-running issue.

On 3 January human-rights groups and Mapuche protesters staged protests in various cities including the capital Santiago (metropolitan region), Osorno (Los Lagos), Concepción (Bío Bío), and Valparaíso (Valparaíso). As well as pushing for long-running land-related demands, the protests were fuelled by two further incidents. One took place on 18 December 2016 in which a 17-year-old Mapuche, Brandon Hernández Huentecol, was shot in the back by Carabineros, during a police procedure in Collipulli commune, Araucanía, leaving him in a critical condition in hospital.

The other rallying point was a hunger strike staged by Mapuche leader (Machi) Francisca Linconao which she began on 23 December in protest at having been jailed by Chile's authorities for the past nine months. Along with 10 others, Linconao is accused of responsibility for the January 2013 arson attack and her imprisonment was made possible under the country's anti-terrorism legislation. Linconao, whose health had reportedly reached a life-threatening state, eventually lifted the strike on 5 January after she was granted house arrest by an appeals court in Temuco, Araucanía's capital.

A string of human-rights organisations, from Amnesty International (AI) to the national human-rights institute (INDH), an official body, have come out against both incidents. On 4 January the INDH filed an official complaint against the Carabineros for the attack on Hernández.

As well as the protests, the start of the year was also marked by a surge in arson attacks in the three regions. On 6 January two separate attacks took place in Araucanía by unknown perpetrators who left pamphlets alluding to the Mapuche cause – a storehouse was burnt down in Lautaro commune while seven vehicles were set alight in Padre las Casas commune. Three days earlier two other attacks took place: four lorries were set alight in Malleco province, Araucanía – an incident for which the radical Mapuche organisation Coordinadora Arauco Malleco (CAM) has claimed responsibility. The same day three houses and two sheds in Lanco commune, Los Ríos region, were destroyed. Pamphlets alluding to the Mapuche cause were found at the site of the attack. Also linked to the Mapuche conflict, on 28 December two items of equipment belonging to local forestry company, Forestal Mininco, valued at some C\$200m (US\$298,000) were set alight some 20km from Concepción city, the capital of Bío Bío region.

The revival of arson attacks and protests has again left the Bachelet government on the defensive vis-à-vis its efforts to address the Mapuche issue. On 26 December Bachelet led a delegation to Temuco to meet with a presidential advisory commission headed up by the bishop of Temuco, Héctor Vargas. Set up in July 2016, the commission was tasked with producing specific proposals for Araucanía, which remains one of the most impoverished regions in Chile (*see sidebar*), aimed at promoting economic & productive

### Poverty

Back in September 2016 Interior Minister Mario Fernández had pointed out that while Chile's poverty rate, as measured by household income level, fell from 14.4% to 11.7% between 2013 and 2015, and extreme poverty fell from 4.5% to 3.5%, poverty rates in the Araucanía are "double" that of the national average.

## Hernández

A member of the Nueva Mayoría's Democracia Cristiana (DC) and former mayor of Galvarino commune (2004-2012), Araucanía Region, Miguel Hernández was named by President Bachelet in December 2016 to replace Andrés Jouannet Valderrama after the latter stepped down the previous month to focus on his electoral campaign as candidate for the national lower chamber, ahead of the November 2017 general election.

development, and social peace. At the time of its creation, however, the commission was criticised for failing to include groups like the CAM, prompting doubts as to the likelihood of its success. This was not the first time that a dialogue table had been set up aimed at finding a solution to the Mapuche conflict. Under the previous government led by Sebastián Piñera (2010-2014), a similar initiative was set up which included representatives from the Mapuche community, the Catholic and Evangelical churches, and civil-society groups from the Araucanía and Bío Bío regions, which ultimately failed to produce any lasting results.

Following the 26 December meeting, which also included government representatives like the new regional intendant (governor), Miguel Hernández (see sidebar), Bachelet declared support for the constitutional recognition of indigenous peoples. She also said that the commission's final report would be ready this month and would serve as the basis for drawing up legislation to address land rights and productive development for the Araucanía.

### Bachelet promulgates law for direct election of governors

On 29 December President Bachelet promulgated a law establishing the direct election of regional governors for all 15 of Chile's regions. Approved by the senate and lower chamber last month, the initiative establishes regional governors, replacing intendants, who are currently presidential appointees.

According to the new law, which the Bachelet government is hailing as evidence of its commitment to direct democracy, successful candidates must attain 40% of the popular vote to prevent a second-round run-off. Before the law can take effect, however, the bicameral congress must approve further legislation such as a bill permitting the transfer of competencies to the regional governments.

## PARAGUAY | POLITICS

### Opposition moves to impeach Cartes over re-election

Paraguay's main opposition Partido Liberal Radical Auténtico (PLRA) began a signature-collection campaign on 9 January in favour of impeaching President Horacio Cartes for attempts within the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC) to allow presidential re-election, which is prohibited under the constitution.

The president of the PLRA, Efraín Alegre, said Paraguay was not "prepared to endure another dictatorship". He argued that "there is no government because [President Cartes] is campaigning and, most serious of all, this is unconstitutional". Alegre said that PLRA deputies were working on tabling a motion of impeachment against Cartes in the lower chamber of congress, although it lacks the requisite number of seats for this to prosper unless it gains support from dissidents within the ANR-PC. Senator Rafael Filizzola, of the opposition Partido Democrático Progresista (PDP), said the signature-gathering was not "a trivial matter [as] there is an attempt to violate the constitution and interrupt the democratic process". The ANR-PC, meanwhile, is gathering signatures in favour of re-election.

In late December the PLRA presented an accusation before the electoral authorities (TSJE) against Cartes for "deceitful electoral propaganda" over re-election. The PLRA and other opposition parties insist that the only valid procedure to permit re-election would be via a constitutional reform approved by a constituent assembly. Ironically, shortly beforehand, the ANR-PC filed a case before the TSJE challenging the right of impeached former president Fernando Lugo (2008-2012), currently a senator for the left-wing Frente Guasu, to stand for presidential re-election after he stated his intention to run in 2018. The TSJE ruled that Lugo was ineligible to run for president under the constitution.

**Chilly winds blow across Florida Straits**

Rex Tillerson, US President-elect Donald Trump's nominee for secretary of state, said at his senate confirmation hearing on 11 January that relations with Cuba are high on the list of the executive orders Trump is preparing to review immediately upon taking office on 20 January.

Responding to questions from the Republican senator for Florida, Marco Rubio, Tillerson said he would advise the new president to veto legislation to codify any of President Barack Obama's recent executive measures to promote relations with the Cuban people. "I would support a veto, because I don't think we want to change the current status of things until we get to that review," he stated. Tillerson also said that he would advise Trump to veto any measures to lift the Cuban embargo, and "examine carefully the criteria" under which Cuba was taken off the official US list of state sponsors of terror, to determine "whether or not that de-listing was appropriate". However, Tillerson emphasised that his current position on Cuba could also evolve, subject to the planned review.

Even as the new White House team plans a review of current policy, the US could soon be without a senior diplomat in Havana. In line with Trump's demand that all political appointees to diplomatic posts relinquish their positions by 20 January (without the usual grace period normally afforded these appointees to wrap up their jobs and organise their return), the current chief of mission at the US embassy in Havana, Jeffrey DeLaurentis, may be among those packing his bags at short notice.

DeLaurentis, appointed chargé d'affaires at the-then US interests section in August 2014, was nominated by Obama last year as his choice for the first US ambassador to Cuba in half a century, following the restoration of diplomatic relations and the upgrading of the interests section to embassy status. DeLaurentis was never confirmed by congress however. There is no sign of who might replace him as chief of mission, but on the assumption that Trump does not rescind the Havana embassy of its status, the process of nominating and securing congressional support for Trump's preferred choice for ambassador to Cuba may take time, risking a diplomatic vacuum in the interim. There are fears that if a hardliner is appointed in DeLaurentis' place, US-Cuban relations could suffer, just as the sensitive Cuban transition to a new president – and to a post-Castro era – is due in early 2018 (when President Raúl Castro has pledged to step down).

Five conservative former US diplomats with experience of Latin America on 22 December sent a letter to Trump urging him to rescind as a matter of urgency Obama's executive orders to promote US-Cuba relations, including a late 2016 order to US intelligence to begin cooperating with Cuban state security. The five – Otto J. Reich, Elliott Abrams, Everett Briggs, James Casson and José Sorzano – said the measures were "illegal and badly conceived" and should be undone within Trump's first 100 days in office. "Hostility toward the US on the part of the Castro regime is unabated. Accepting its legitimacy and reopening our embassy in Havana were undertaken without resolving any of a long list of outstanding issues, including restitution of billions of dollars of private property stolen by the regime; the return of scores of wanted felons given asylum in Cuba, including one on the FBI's most-wanted list; ending Cuba's illicit military ties with North Korea; curtailing Cuba's outreach to Iran and its current attempts to re-establish a close military-intelligence relationship with Russia; and ending its support for anti-American governments in Latin America," the five argued.

**US visitors to Cuba up 74% in 2016**

According to Josefina Vidal, Cuba's top foreign ministry official for US relations, 284,937 US citizens visited Cuba in 2016, an annual increase of 74%. Numbers were boosted by the resumption of regular (and cheaper) scheduled flights from the US to Cuba as of September, along with the return of US cruise-line trips to the island. Overall in 2016, Cuba welcomed 4m visitors, a new record.

## Varela names new head of key portfolio

President Juan Carlos Varela has promoted the deputy interior minister María Luisa Romero to head the ministry. The appointment is Varela's latest attempt to shore up support for his Partido Panameñista (PPA)-led El Pueblo Primero (EPP) coalition government which, halfway through its five-year mandate, remains unpopular due to its perceived failure to address key public concerns like insecurity (despite claims of progress), the lack of transparency in public office, and the cost of living.

A lawyer by profession, Romero was named on 3 January to take over from Milton Henríquez, in the post since the Varela government took office in July 2014. Henríquez has attracted controversy since he first assumed office, appointing his sister-in-law, Florita Ciniglio, to an administrative post in the interior ministry, a move which laid him open to accusations of nepotism. Public outrage forced Ciniglio to quit weeks later. Henríquez also faced criticism for his handling of the controversial 'Barro Blanco' hydroelectric dam project, located in the Ngäbe Buglé comarca (indigenous political administrative region) [WR-16-21], although the government and Ngäbe Buglé leaders eventually signed a deal in August 2016 regarding the initiative.

As well as efforts to side-line unpopular ministers, in his state-of-the-nation address, delivered the previous day, Varela also sought to rally support for his government by trumpeting security gains, although the latest surveys suggest that this has yet to have any impact on public opinion (*see sidebar*). In his address, Varela said that in 30 months of his government, the national homicide rate had fallen by 47%, from 17 homicides per 100,000 inhabitants, to nine per 100,000. Also hailed as evidence of government success vis-à-vis security, two weeks earlier, on 15 December, Public Security Minister Alexis Bethancourt announced that 62.3 tonnes (t) of drugs were seized in 2016, compared with 58.1t in 2015. Bethancourt said this was the biggest seizure of the last 17 years.

### TRACKING TRENDS

**GUATEMALA | Military to withdraw from citizen security efforts.** At the end of last year Interior Minister Francisco Rivas told the local press that the conservative Frente de Convergencia Nacional (FCN-Nación) government led by President Jimmy Morales planned to phase out the use of the military in citizen security efforts. Currently some 4,200 military officers assist the national police (PNC) in these efforts – a strategy rolled out by Morales' predecessors, as part of efforts to tackle the country's notorious crime rates. Rivas said the planned phase-out – which will take place in two stages, with 50% of officers to be withdrawn in April 2017 and the rest by year-end – was made possible due to the sustained increase in PNC officers. This reached 37,000 following the graduation of 2,128 additional PNC officers in December 2016, with plans for a further 4,000 to graduate this year.

The use of the military in citizen security efforts has long been controversial in Guatemala. Human-rights groups argue that it contravenes the spirit of the 1996 Peace Accords ending the 36-year-long civil war which were unequivocal that the role of the military was that of "defending Guatemala's sovereignty and territorial integrity" with "no other functions assigned to them, and their participation in other fields...limited to cooperative activities". A United Nations (UN) Historical Clarification Commission (CEH) found agents of the state, particularly the army, were responsible for 93% of all human-rights violations committed during the war, which resulted in the death or disappearance of some 250,000 civilians. The move by President Morales, who took office for a four-year term in January 2016, was particularly noteworthy given links between the military and FCN-Nación, which was set up in 2004 by members of the military veterans' association (Avemilgua).

### Popularity

The latest poll by Dichter & Neira (released in December 2016) showed President Juan Carlos Varela with a 41% approval rating, a marked decline on the 53% registered in January 2016. The chief public concerns are security and the cost of living – cited as such by 16% of respondents. Just 19% of respondents think that the security situation has improved, down from 27% in January 2016. Just 18% of respondents consider that the Varela government is operating transparently, down from 25% in January 2016.

### Quotes of the week

“It is as if we got married 20 years ago when we signed Nafta, but we’ve ignored each other since then. We’re married, now we have joint assets and children, but we don’t even send each other flowers.”

*Deputy Gabriela Cuevas, a member of Mexico’s right-wing opposition PAN on diplomatic relations with the US.*

“The new ‘anti-coup command’ will definitively destroy all vestiges of the oligarchic and right wing coup d’état...being stitched together at the political level, at the economic level, and at every level...and restore peace and stability to the country.”

*Venezuela’s President Nicolás Maduro.*

“This is like in the time of the [Alfredo] Stroessner dictatorship. That’s how it all began, just violating one article, and then another, and that’s how we got Stroessner for 35 years.”

*The president of Paraguay’s main opposition PLRA, Efraín Alegre, on moves to allow President Horacio Cartes to seek re-election.*

### Final election results announced in Haiti

Haiti’s provisional electoral council (CEP) last week released final results from the 20 November 2016 presidential election. These confirm Jovenel Moïse, the candidate of the Parti Haïtien Tèt Kale (PHTK) party of former president Michel Martelly (2011-2016), as the outright winner with 55.60% of the vote – averting the need for a run-off [WR-16-47]. With Moïse’s closest rivals not contesting the result, the 3 January announcement would suggest that the country can finally turn the page, ending a process which began in October 2015.

According to the CEP’s final results, Moïse – who looks set to take up the post next month – took 55.60% of the vote. Jude Célestin, of the Ligue Alternative pour le Progrès et l’Émancipation Haïtienne (Lapeh) party, took 19.57%. Third with 11.04% was Jean-Charles Moïse of Petit Dessalines, followed by Maryse Narcisse, of Fanmi Lavalas (FL), the party of former president Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004), who took 9.01%. The other 23 candidates made up the remainder.

The three leading defeated candidates – Célestin, Jean-Charles Moïse, and Narcisse – had all appealed the preliminary results which also showed Jovenel Moïse winning outright. On 20 December the national electoral appeals council (BCEN) agreed to audit 12% of vote tallies nationwide (1,560), but local press reports cited the CEP as saying that while some irregularities had been identified during verification, these were insufficient to affect the final outcome of the vote.

The CEP also released final results from the 20 November partial legislative elections which included restaged first-round election for a third of the 30-member senate; the second-round elections for six senate seats; and 24 seats in the 119-member chamber of deputies. The second-round results for both the senate and lower chamber confirmed preliminary results, showing the PHTK with the largest representation in the incoming legislature (albeit short of a majority) [WR-16-49]. The results also showed that eight of the first-round senate seats will go to a run-off on 29 January.

The international community was quick to welcome the release of the final results, which the US State Department described as “a positive step for the full restoration of that nation’s democratic institutions”. The United Nations issued a statement noting that Sandra Honoré, the Special Representative of the UN Secretary-General in Haiti, and the other members of the so-called ‘Core Group’ welcomed the release of the final result.

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