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Colombia takes step closer to 'complete peace' as ELN talks begin

After a long and winding road, the Colombian government and the Ejército de Liberación Nacional (ELN) finally began a formal peace process in Ecuador on 7 February. This is groundbreaking but given the tortuous nature of the exploratory talks with the country's second-largest guerrilla group, which began over three years ago, achieving the 'complete peace' craved by President Juan Manuel Santos before he leaves office in August 2018 remains a tall order. It is advantageous that the government has sealed a peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc), but the ELN is less united and more ideologically-motivated, as well as demanding that some recondite issues are discussed.

The launch of the formal peace process had been postponed in April 2016 after the ELN took a former congressional deputy, Odín Sánchez Montes de Oca, in a hostage exchange for his brother Patrocinio, a former governor of the northwesternmost department of Chocó. The government had made Odín's release a precondition of talks getting underway. After a long standoff he was freed on 2 February in Noanamá, a remote jungle area in Chocó. To save face the ELN demanded that two imprisoned guerrillas in a delicate state of health be pardoned. The government acquiesced.

On 6 February, just one day before the new launch date for the peace process, the ELN released a soldier, Fredy Moreno Mahecha, who had been captured two weeks earlier in the department of Arauca, bordering Venezuela, by the ELN's Frente de Guerra Oriental. The ELN claimed on *Twitter* that Moreno had been "dressed as a civilian, in an area of military operations, carrying out spying activities".

The release of both Odín and Moreno helped to allay some of the concerns over whether the ELN central command (Coce) exercised effective control over the guerrilla group's various fronts. Odín's release was soured, however, by his revelation that his family had paid a ransom. It was also noteworthy during the ceremony in Quito to launch the peace process that the head of the ELN's negotiating team, 'Pablo Beltrán' (Israel Ramírez), did not unambiguously renounce kidnappings as the government had hoped. Beltrán called for one of the first accords between the two sides to be a bilateral ceasefire, but this is something the government was not prepared to offer the Farc until negotiations were very far advanced.

The head of the government negotiating team, Juan Camilo Restrepo, urged the ELN to end all kidnapping, adding that it would be "very difficult to advance otherwise". Restrepo emphasised that he hoped that the ELN appreciated that "this is the time for peace" and that it would be "very difficult" for the opportunity to end the armed conflict "to present itself again in the future". He said that both sides were determined "to advance with as

Government

negotiating team

In addition to the interior minister, Juan Fernando Cristo, the government negotiating team in the ELN peace process includes the labour minister, Clara López, a member of the left-wing opposition but pro-peace Polo Democrático Alternativo (PDA), and Senators Roy Barreras and Germán Varón Cotrino, respectively president of the Partido de la U and a member of Cambio Radical, both part of the ruling coalition, as well as former cabinet ministers, governors, ambassadors and military officers, such as retired General Freddy Padilla de León, commander of the army between 2006 and 2010. Cristo, López and the two senators will not be permanently present during the talks.

much speed as prudence permits”, although he stressed that this did not mean “an express peace”.

For his part, Beltrán said the ELN had not come to the negotiating table “to ask for a revolution by decree, but rather to put together some changes that clear the way to a more democratic country”. He said that “once the armed conflict ends, the social conflict will continue but it should be resolved through dialogue”. Beltrán added that “we’re ready to learn from [the Farc peace] process”.

The ELN’s openness to adopting aspects of the Farc peace process will be essential to expedite talks. Issues such as rural development, political participation, and victim compensation, agreed with the Farc, should be reusable with a few tweaks. But if the ELN wants to introduce changes to aspects of the peace process agreed with the Farc it could cause difficulties, especially the transitional justice system. The length of the exploratory phase of talks does not augur well for a speedy process, added to which the administration led by President Juan Manuel Santos is weaker than when the peace process with the Farc began, political polarisation is greater, and there is less public support for talks with the ELN. In addition to this, some of the six points to be covered in the talks are quite vague and woolly, such as democracy for peace, transformations for peace, and the participation of society in the construction of peace.

The level of public participation envisaged in the ELN talks is the standout difference between this and the Farc peace process. It is still not entirely clear how this will work in practice but the ELN sees the peace process as a negotiation with society rather than the government. Politicians and civil society in the north-eastern department of Santander, and especially the municipalities of El Carmen, Simacota and San Vicente de Chucurí, where the guerrilla group’s maximum leader ‘Gabino’ (Nicolás Rodríguez Bautista) was born and the ELN conceived in 1964, are demanding a central role in the peace process for victims and local inhabitants to table initiatives, proposals and programmes within each point under discussion. The ELN says this is essential “to deepen social justice and reduce poverty and inequality”.

No timeframe has been established but the interior minister, Juan Fernando Cristo, said the peace process could be concluded by the end of this year. That would certainly be the government’s preference as 2018 will be dominated by electoral campaigning for the presidential and congressional contests before President Santos leaves office in August, but unforeseen delays were common throughout the Farc peace process. Cristo, whose father Senator Jorge Cristo Sahium was assassinated by the ELN in 1998 in Cúcuta, the capital of Norte de Santander department, attended the launch of the peace process in Ecuador. He is one of the 15-strong negotiating team led by Restrepo (*see sidebar*).

Upping the ante

The armed struggle between the ELN and the military has intensified in the run-up to the talks. Just this week the security forces captured an ELN ‘leader’, ‘Licuadora’ (Nilson Morales Pedraza), in Cali en route to Chocó, and the navy seized three ELN guerrillas dedicated to extorting inhabitants in the municipality of Litoral Bajo, Chocó. On 12 January an ELN explosives expert, ‘Moisabomba’ (Moisés Valencia), was taken in Arauca. Last October a group of 24 guerrillas from the ELN’s Frente Cimarrón, including its second-in-command, known as ‘Horacio’, demobilised in the municipality of Bajo Baudó, Chocó, handing over their weapons and explosive devices to the navy which had been carrying out a major operation in the area. The ELN, meanwhile, has been expanding its operations, renewing attacks on one of its favourite targets, the Caño Limón-Coveñas oil pipeline near the border with Venezuela, and moving into areas of influence abandoned by the Farc.

Moreno promises tough line on corruption

Lenín Moreno, the presidential candidate for Ecuador's ruling left-wing Alianza País (AP), opted to take part in the second presidential debate on 5 February. Moreno, who skipped the first debate on moral grounds, appears to have had a change of heart after opinion polls indicated that he was losing support ahead of the general elections on 19 February. Moreno sought to focus on social welfare proposals during the debate, but his seven rivals for the presidency ensured that corruption was the predominant issue to be discussed.

The presidential debate took place just hours after the fugitive former hydrocarbons minister Carlos Pareja Yannuzzelli, embroiled in the corruption scandal surrounding the state oil company Petroecuador [[WR-16-45](#)], reappeared on *Twitter* to denounce the government led by President Rafael Correa. Pareja has accused Vice-President Jorge Glas of being aware of everything that went on inside Petroecuador. Glas is Moreno's running mate.

All the leading opposition presidential candidates had plenty to say about combating corruption. They focused on granting independence to state institutions, arguing that while some of them are nominally autonomous now, in practice they are all fully subordinated to the executive.

Guillermo Lasso, the candidate for the centre-right opposition Movimiento Creo (Creando Oportunidades) who is fighting for second in the opinion polls, led the charge on corruption. Lasso said he would hold a referendum, a political instrument brought into fashion in Ecuador by the Correa administration, on whether to "send home" all the officials from the attorney general's office, the comptroller general's office and superintendencies that "have been blind, deaf and mute during the 10 years of Alianza País". Lasso also insisted that he would annul the communications law, arguing that "we need an independent press that investigates and has access to public information".

Cynthia Viteri, of the traditional Partido Social Cristiana (PSC), who is vying with Lasso for second in the polls, advocated a referendum on separation of powers and an asset-stripping law, 'Ley de Extinción de Dominio', to target all those who are benefitting from money embezzled from the state. Paco Moncayo, of the left-wing coalition Acuerdo por el Cambio, the only other candidate with a realistic chance of making a likely second round run-off on 2 April, called for the government, and Glas in particular, to provide explanations with regard to Pareja's accusations. Moncayo also proposed the creation of a civic anti-corruption commission. He promised a different style of government, consigning the authoritarianism of the Correa administration to the past and restoring the independence of state institutions.

Moreno, for his part, promised to extirpate corruption, saying he would call on assistance from the United Nations. But he was insistent that the problem was greater in the past than the present. "Let's not allow the corrupt of yesteryear...to return blessed by the passage of time to present themselves as great men of moral and judicial standing," Moreno said. He added: "Penalties, yes, jail for all the corrupt; from the past and present."

Social welfare

Beyond the focus on corruption, Moreno provided the most detail on policy proposals that will impact the lives of ordinary Ecuadoreans. He presented a

Twitter

President Correa was not physically present in the studio but he was virtually present for the presidential debate. He kept up a running commentary on *Twitter* throughout the debate. "Dalito [Abdalá 'Dalo' Bucaram, son of former president Abdalá Bucaram (1996-1997)] talking about corruption is like Hannibal the Cannibal talking about vegetarianism," Correa tweeted. He also accused Cynthia Viteri of "pure demagoguery" and "leaving no doubt that she knows nothing about economics". He said that Lenín Moreno was the only candidate with "ideas and conviction" but that overall the debate was "dreadful".

Yasuní

During a tour this week of the northern Amazon provinces, where she has little support, Cynthia Viteri promised that “if it is not providing anything for the well-being of the Ecuadorean people, I will suspend [oil] exploitation in Yasuní [the biosphere reserve in which the Correa administration controversially chose to drill for oil after failing to attract international funds to leave crude deposits untapped in the ground]”.

series of social welfare policies, including the eradication of infant malnutrition and provision of a universal pension, rolling out a ‘casa para todos’ (‘a house for everyone’) plan; and constructing 40 technical universities. Moreno promised to devote US\$2bn from the state budget (“oil prices are stabilising”) to provide credits for youth entrepreneurship, implement a programme for newborns ‘Ternura’ (‘Tenderness’), and a US\$100 bonus for the elderly as part of a ‘Toda una vida’, from the cradle to the grave programme, benefiting children, youths, women and the elderly.

Viteri also sought to infuse her campaign with a social element. She promised to provide 10,000 free crèches for toddlers (she said this would generate 50,000 jobs for “interested women” and provide care for 200,000 children), and to write off debts of up to US\$5,000 apiece for small and medium-sized producers to help the agricultural sector pick up after drought, floods and a poor harvest. She said she would do away with charges and requirements making credit difficult to obtain for farmers.

Viteri proposed providing houses for the poor and extending a housing scheme implemented in Guayaquil to the rest of the country, allowing the purchase of a house with no deposit and 20-year loan instalments of US\$150 a month. She also promised to restore electricity subsidies for those consuming up to 130KW/h, which were terminated by the Correa administration. Finally, Viteri said she would convert the headquarters of the Union of South American Nations (Unasur) just outside Quito in Ciudad Mitad del Mundo, into “a giant enterprise laboratory”. Questioned about whether her close ally, Jaime Nebot, Correa’s most vocal opponent over the years, would govern if she won election, Viteri said, “He has enough to do to run Guayaquil”, where he is mayor.

VENEZUELA | POLITICS

As expected, the CNE gets creative

Electoral experts are unanimous that a newly-announced process for small parties to retain their official political party status is “impossible” to fulfil, and will simply allow the national electoral court (CNE) to strike off the register potentially dozens of parties, mostly (but not all) opposition-leaning. As per Venezuelan law, the minimum number of members a party must have to retain official party status is 0.5% of the voting population in at least 12 (of the 23) states. Venezuela currently has about 67 parties.

The CNE has now given 59 small parties (which failed to meet the support threshold of 1% in recent elections) two days each to gather the requisite 0.5% of voter signatures in 12 states – under conditions that political analysts have described as “absurd”. Among other things, this includes making available just 390 electronic fingerprint scanning machines (used to confirm people’s identities) across the entire 12 states. The process is also very brief – it will run from 18 February to 3 April, with each party pre-assigned its two days on set dates (six parties per weekend). And finally, the CNE has said that citizens in the 12 states can only give their signatures to one party, and must not sign in support of multiple parties.

In a series of tweets on 7 February, Luis Rondón, the sole independent CNE rector, railed against this latest order by the body, saying that it would be “almost impossible” for parties to complete, and damaged the right to political association. The CNE, he said, had “put an administrative process...above the political rights of Venezuelans”. Opposition media pointed out that by contrast, the ruling Partido Socialista Unido de

Passports for sale story “lies”

Foreign Minister Delcy Rodríguez has denied the veracity of a *CNN* investigative report suggesting that the Venezuelan embassy in Baghdad, Iraq, was effectively ‘selling’ Venezuelan passports and visas. *CNN* based its reports on documents and testimony provided by a whistleblower, Misael López, who was employed at the embassy between July 2013 and September 2015 as legal counsel to the Venezuelan ambassador to Iraq, Jonathan Velasco.

Venezuela (PSUV) has previously been provided with 4,800 scanning machines and a full week for its own internal registration process.

The expectation is that this new process will result in a shake-out of the system, with many small parties simply eliminated. Some political analysts argue that this is no bad thing, helping to simplify an over-crowded system and weed out tiny local special interest groups.

Clearly, however, there are other ramifications. Among these is the fact that many citizens who register their support for smaller parties could be left completely disenfranchised ahead of the pending state and municipal elections; which have yet to be scheduled by the CNE. Meanwhile, according to preliminary estimates by the Red Electoral Ciudadana, some 2m Venezuelan citizens are also at risk of being disenfranchised because of onerous and complicated CNE procedures to register as a voter. The Red Electoral Ciudadana issued its statement after carrying out a study in late January in the capital district and 13 other states.

There are also implications for Venezuela’s main opposition coalition, the Mesa de la Unidad Democrática (MUD). The MUD – comprising over a dozen national parties from across the spectrum and which also relies on the support of many of the smaller local parties now at risk of disappearing – potentially stands to be weakened. Meanwhile, the MUD itself is under continuing legal scrutiny for alleged signature fraud in its (failed) effort last year to hold a presidential recall referendum. Leading the campaign to strip the MUD of its status is the PSUV’s number two, Diosdado Cabello.

Despite its vocal protests, realistically there is next to nothing the MUD can do about all this. The CNE has plenty of form on introducing complicated rules and regulations (including district gerrymandering) that seek to tilt the playing field in favour of the PSUV and against the opposition.

With the latest opinion polls suggesting that 80% of Venezuelans want to see the back of the PSUV government led by President Nicolás Maduro, the CNE is having to resort to ever more creative ways of shoring up the PSUV’s electoral position, while maintaining a ‘vener’ of democracy in the country. This veneer, however, is looking thin. The MUD warns that the CNE is seeking a ‘Nicaraguan solution’, whereby democratic elections are held in the country, absent any real opposition.

MUD restructuring committee

Jesús ‘Chúo’ Torrealba, the MUD’s executive secretary, announced that a restructuring committee would begin work to overhaul the MUD, which has been riven by strong internal tensions almost since its foundation. Latterly, the coalition has ruptured over whether to participate in the (failed) Vatican-backed dialogue with the Maduro government, and having also failed to secure a presidential recall referendum, appears at a loss as to its strategy.

Torrealba said that the committee would comprise José Ignacio Guédez of Causa R, Enrique Márquez of Un Tiempo Nuevo (UNT), and Juan Carlos Caldera of Primero Justicia (PJ). Torrealba noted that the restructuring would not be “cosmetic” but more fundamental, noting a “wide consensus” in favour of a deeper reorganisation, including at the top of the coalition.

Torrealba himself may be a victim of the overhaul, after he led the MUD into the latest dialogue with the government – apparently without prior consultation. Among those openly pushing for Torrealba’s removal is Henrique Capriles Radonski, the leader of the PJ and the MUD’s twice-former presidential candidate, who has recently taken up a more radical stance against the Maduro government.

Impact of GSP suspension

On 6 February Peru's energy & mines minister, Gonzalo Tamayo, said that domestic economic growth is likely by 0.5-1 percentage point less than expected in 2017 as a result of the indefinite suspension of the US\$7.32bn Gasoducto Sur Peruano (GSP) gas pipeline project. The GSP project, which is to stretch from Peru's Amazonas region to the country's southern coast, was suspended on 23 January. Tamayo's projection for lower growth on the back of the GSP project suspension was in line with that of the economy & finance ministry, which had previously reduced its GDP growth forecast for the year from 4.8% to 3.8%. Nevertheless, Tamayo emphasised that the government's decision to suspend the GSP project remains firm as it refuses to modify an anti-corruption clause included in the concessions contract as part of its commitment to transparency.

Odebrecht: Pandora's Box

Peru is on tenterhooks as the fallout of the Odebrecht scandal intensifies, with some fears of a repeat of the recent political upheaval in Brazil. Peruvian authorities have issued a preventive detention order against former president Alejandro Toledo (2001-2006), whose whereabouts are unknown. Toledo is wanted for questioning about the receipt of no less than US\$11m of US\$20m of bribes paid by the Brazilian construction giant in relation to a major highway project in the country. A judge was due to decide on the request (for 18 months preventive detention in prison) as we went to press on 9 February.

There is little to no public sympathy for Toledo, whose time in office was marred by a series of scandals, some rather colourful (one involved his alleged 'kidnapping' and the use of drink, drugs and prostitutes; he also refused to acknowledge an illegitimate daughter), and others relating to alleged financial corruption. Toledo's lawyer, meanwhile, has let it be known that the former president will only return to Peru if there is a "guarantee of impartial justice". Paolo Aldea questioned the motives of the Peruvian prosecutor and suggested that his client was the victim of "a political witch hunt".

On 4 February, Peruvian press reported that as part of the Odebrecht investigations, Jorge Barata, a former executive at the firm, had told prosecutors that Odebrecht had paid US\$20m in bribes to the Toledo government between 2004 and 2006 to secure the concession to build two tracts of the US\$1bn Interoceánica highway project, which is meant to link Peru's coast to Brazil. Barata said that the bribe (originally agreed at US\$35m but later reduced) was negotiated with Toledo's former security adviser, Avraham 'Avi' Dan On, and paid into offshore bank accounts owned by Toledo's close friend Josef Maiman, who has previously been investigated for money laundering in relation to a case involving Toledo's mother-in-law.

Local prosecutors raided Toledo's home in Lima on 4 February and seized boxes of documents and some US\$33,000 in cash. Toledo, who won election on an anti-corruption platform, rejected Barata's allegations, describing them as "lies" and claimed a campaign by his political enemies to discredit him.

The US Department of Justice estimates that Odebrecht paid US\$29m in total in bribes in Peru between 2001 and 2015. In addition to the US\$20m allegedly paid to Toledo, another US\$9m was paid to Jorge Cubas, a former deputy minister for communications under the second government led by Alan García (2006-2011) in relation to the concession for the Lima metro.

The fact that President Pedro Pablo Kuczynski served in the Toledo cabinet as finance minister and prime minister have raised very serious questions for Kuczynski, elected on an anti-corruption platform last year. The scandal has had an immediate cooling effect on the economy, with private economists cutting their growth forecasts. Ratings agency Moody's Investor Service has trimmed its 2017 GDP growth forecast from 4.5% to 3.7%, citing the impact of the Odebrecht scandal, which has caused a delay in major infrastructure schemes – such as the US\$7bn Gasoducto del Sur initiative (*see sidebar*) – that were meant to give a much-needed stimulus to the economy this year.

Kuczynski has denied all knowledge of the goings-on under his nose back in the Toledo government and has accused Toledo of being a traitor to his country, stating, "if we had perceived that anything illegal was going on, we would not have formed part of [his] government". Kuczynski said in a radio interview that he was "very hurt by the news about former president Toledo,

Museum dedicated to Morales

On 2 February Bolivia's President Evo Morales inaugurated the 'Museo de la Revolución Democrática Revolucionaria' in his hometown Orinoca, Oruro department. Although the museum is a tribute to the indigenous peasant struggle from colonial times, the image of Morales, Bolivia's first indigenous president, is prominent in the museum, including a statue. Most of the items on display are gifts received by Morales during his time in power, as well as several videos of his most famous speeches. The cost of the museum, covering more than 10,000 square meters, making it the largest in the country, reached US\$8m. This has led the political opposition to denounce the museum as an expensive homage to Morales.

this is a betrayal of the Peruvian people and of his colleagues who tried so hard to make a good government...I really lament this and he must come back and answer prosecutors' questions."

Toledo's wife and former first lady Eliane Karp has thrown fat onto the fire by insinuating that Kuczynski knew full well what was going on, putting up a cryptic comment on her Facebook page saying, "Shame on you PPK, you that have been involved in so many deals and lobbies! Don't make me talk because I know what you did last time [the last sentence being in English]".

Deputy Víctor Andrés García Belaúnde, a member of the congressional investigative commission looking into corruption by Odebrecht and other Brazilian firms in the country, subsequently said that in the wake of Karp's comments "it is inevitable" that Kuczynski and Prime Minister Fernando Zavalá, would be asked to appear before the commission to provide evidence.

Given that the investigative commission, much like congress' plenary, is dominated by the opposition, Kuczynski can expect a difficult time of it if asked to appear. Former presidents García and Ollanta Humala (2011-2016) are also expected to be hauled before either congress or the judiciary to answer questions about their administrations, both also plagued by various corruption scandals.

Among the most dramatic speculation is that Kuczynski might be forced to resign. In the latest polls Kuczynski has just 35% support – and that was before the scandal broke. While there is no concrete evidence to show any wrongdoing by him under Toledo, the questions are burning. Verónica Mendoza, the former presidential candidate of the left-wing Frente Amplio (FA) coalition, the second-largest bloc in congress, has voiced what everyone is thinking in saying "it is difficult to believe that he didn't know anything".

TRACKING TRENDS

COLOMBIA | Optimism for Colombian exports. On 8 February Colombia's finance minister, Mauricio Cárdenas, said that the domestic economy would recover in 2017 and he expected the country's exports to increase. The total value of Colombia's exports fell from US\$60bn in 2013 to US\$33bn in 2016, according to the latest data released by the national statistics agency (Dane).

The fall in the value of exports has been mainly attributed to the lower international price of oil and lower global economic activity. However, Cárdenas said that the decline in value of exports is already being reversed, with Dane reporting that exports increased by 32.7% in the final month of 2016 (although the absolute figure was 13% lower than in December 2015).

Meanwhile the president of the association of Colombian exporters (Analdex), Javier Díaz, said that he was optimistic about export prospects for 2017. Díaz noted that the sectors that experienced the biggest fall in exports were the hydrocarbons and extractive industries, which fell by 21.7%, and manufacturing, which fell by 10%. By contrast, Colombia's flower exports reached their highest level in nine years in 2016, shipping 225,000 tonnes valued at some US\$1.1bn.

The record performance of the flower industry was highlighted by Agriculture Minister Aurelio Iragorri, who said that the 2016 result consolidated Colombia as the world's second-largest flower exporter behind the Netherlands. Iragorri also noted that last year's flower export record could be broken this year thanks to an expected improvement in climatic conditions and a high level of global demand for flowers ahead of Valentine's Day (14 February), with export orders for some 500m flowers, mainly for the US, already being received by Colombian producers, valued at some US\$140m. Iragorri also said that better weather conditions should mean that Colombia's coffee producers increase their exports by 4% to 14.8m sacks this year.

What Brazilian congressmen have in common

The recently-elected heads of Brazil's upper and lower chambers, Rodrigo Maia and Eunício Oliveira, appear to share many similar traits. Both seem more amicable than their predecessors, Renan Calheiros and Eduardo Cunha, who developed a reputation for clashing with the supreme court and former government under Dilma Rousseff (2011-2016) respectively. Oliveira pledged to promote "equilibrium" and "harmony" between the three branches of power, while Maia held out an olive branch to the dissident *centrão* bloc. On a darker note, both current presidents have also been named in corruption probes. They are in good company. Of the 513 members of the lower house, 303 are being investigated for serious crimes. The same is true for 49 of the senate's 81 members.

Temer stages political comeback

Despite getting off to a bumpy start, 2017 is already looking more promising than 2016 for Brazil's President Michel Temer. Towards the end of last year, the left-wing opposition Partido dos Trabalhadores (PT) threatened to launch impeachment proceedings against Temer amid widespread anti-government protests. This week, however, Temer's allies firmly reasserted their control over congress and consolidated his support base in Brasília. This increases the chance that Temer's ambitious reform package will go through and makes the prospect of his ouster extremely unlikely.

On 1 February, members of the federal senate voted in Temer's favourite candidate, Eunício Oliveira from the ruling Partido do Movimento Democrático Brasileiro (PMDB), as president. Quick on the heels of this announcement, on 2 February, Rodrigo Maia, from the Democratas (DEM) party (an ally of the PMDB), won his bid for re-election in the lower chamber of congress. Opposition parties strongly contested Maia's candidacy for allegedly violating the constitution by running twice in the same term. However, supreme court judge Celso de Mello Neto later overturned these injunctions.

The appointment of Temer's allies to congress was no accident. In the run-up to the congressional elections, Temer had quietly been lobbying to secure positions for his favourite candidates in Brazil's upper and lower chambers. Drawing on contacts he made during his time in the chamber of deputies, Temer drummed together a strong support base of congressmen from the ruling PMDB and allied parties, while sweetening the deal by inviting them for the occasional luxury dinner on the house.

The importance of maintaining support in congress is undoubtedly fresh in Temer's mind. He will be keen to avoid the fate of his predecessor, former President Dilma Rousseff (2011-2016), whose relations with congress became decidedly frosty after former house speaker Eduardo Cunha (PMDB) won the elections in 2016 ahead of Rousseff's preferred candidate, Arlindo Chinaglia (PT). The number of PT sympathisers in congress gradually diminished while her political opponents, including Cunha, grew more powerful. The political fallout from that row, spearheaded by Cunha, arguably precipitated her impeachment.

By contrast, Temer appears to be a more seasoned political negotiator than Rousseff. Both his preferred congressional candidates won their election campaigns by a comfortable margin, signalling that the ruling PMDB and allied parties remain strong. The PMDB's win in the lower chamber of deputies is particularly significant. Maia beat deputy Jovair Arantes from the centre-left Partido Trabalhista Brasileiro (PTB) by 293 votes to 105. Arantes was a member of a politically dissident splinter group called the *centrão* bloc, a group of over 200 deputies formerly allied to Cunha who threatened to break off an alliance with the PMDB last year. However, PTB president Roberto Jefferson denied there was any bad blood between the two parties and said the *centrão* group would "not be resentful" that Arantes lost. Asked about the future relations with the *centrão*, Maia said both parties had "turned over a page" from past quarrels and would work together to push through new legislation.

Temer, Maia and Oliveira have publicly expressed their approval for the government's investment-friendly reform agenda. One of the government's chief concerns over the coming months will be to push through a pensions reform to increase the age of retirement in Brazil and cap benefits in a move

Former first lady dies

The wife of ex-president Lula da Silva (2003-2011), Marisa Letícia da Silva, died from a stroke on 3 February. A funeral was held the following day at the metal workers' union, São Paulo, where she and Lula first met. In a eulogy, bishop Dom Angélico Sândalo Bernardino described Letícia as a "warrior fighting for the working class". Like Lula, she came from a humble background having started work aged nine, first as a babysitter then as a chocolate seller. Far from keeping his personal life separate from politics, Lula ostensibly criticised the work of 'Operation Car Wash' by saying the stress caused by anti-corruption investigations, implicating both him and his wife, may have contributed to his wife's passing, aged 66. Others spared the widower no sympathy, calling for Lula to face up to five separate counts of corruption.

that would save the Brazilian purse over US\$200bn by 2027, according to government estimates. Another key measure to be sent to congress is a labour reform to make it easier for employers to hire and fire staff. Both are likely to be highly unpopular and the latter has long been resisted by Brazil's labour unions. However, if they go through, the reforms could ease pressure on local and international businesses and boost the economy.

Temer announces government reshuffle

On the same day as the congressional elections, Temer announced a minor government reshuffle including changes to human rights, public-private partnerships, justice, strategic affairs and secretary of government departments.

The timing of the latter appointment was far from coincidental. Given that the secretary of government is responsible for overseeing relations with congress, the centrão bloc claimed a new appointment before February would interfere with the congressional elections. While a vacancy for the position first arose last November, following the departure of disgraced former minister Geddel Vieira Lima, the centrão bloc threatened the government with reprisals if a new candidate was named before the elections were over. Just after the results came out, on 2 February, Temer named as the new secretary PDDB deputy Antônio Imbassahy, who had long been touted as the favourite candidate. Geddel, who is being investigated for his involvement in a conflict-of-interest scandal, was one of Temer's closest allies so finding a viable replacement will come as a relief to the government.

Another appointment where timing seems crucial was the sudden promotion of PMDB politician Moreira Franco from secretary for public-private partnerships to minister for the same department. Becoming minister gave Moreira legal privilege to evade being prosecuted by the anti-corruption investigation 'Operation Car Wash' in which he had been named just three days before. On 8 February, federal judge Eduardo Rocha Penteado suspended Moreira from the cabinet. Using public office ostensibly to avoid corruption charges was an "affront to morality," read a document released by Brazil's federal court, although the federal prosecutors' office (AGU) may overturn his suspension.

Temer added another two ministers to his cabinet after he revived two ministries which had been scrapped by Rousseff: one for human rights and the other for strategic affairs (SEA). Temer promoted Luislinda Valois, formerly secretary for racial equality for the ministry of justice, to become minister of human rights. Valois, Brazil's first black female judge, was initially admitted to Temer's government just after the septuagenarian was criticised for the lack of diversity in his cabinet. However, Temer failed to congratulate her personally for her recent appointment, attracting more criticism. The other newly opened position for SEA minister went to Hussein Ali Kalout, an academic specialising in Middle Eastern politics who has undertaken research projects at Harvard and writes a column for the local daily *Folha de São Paulo*.

Another vacancy yet to be filled is the post of justice minister (re-named justice and security). On 6 February, Temer nominated former justice minister Alexandre de Moraes (Partido da Social Democracia Brasileira [PSDB]) to become the eleventh justice at Brazil's supreme court (STF) without naming a permanent replacement. Moraes joins the court to replace judge Teori Zavascki, who recently died in a plane crash. Moraes will not take charge of the anti-corruption projects Zavascki was working on (including 'Operation Car Wash', which has been assigned to another justice Edson Fachin), but he will be able to influence relations between the judiciary and the government.

While Moraes' transfer may be beneficial for Temer, others have balked at what appears to be a patently political gesture. In his own doctoral thesis published in 2000, Moraes wrote that a president should never appoint a member of his own cabinet to the STF in order to avoid conflict-of-interest.

Adimark poll

A poll by the local pollster Adimark released on 1 February, which has yet to show the fallout of the latest scandal on the ruling coalition, showed Senator Alejandro Guillier, the pre-presidential candidate for Nueva Mayoría's Partido Radical (PR), for the first time edging ahead of previous frontrunner former president Sebastián Piñera (2010-2014). The poll showed Guillier on 28% of voting intentions (up from 26% the previous month), while Piñera was on 27% (down from 29% the previous month). Third, with 5% (unchanging) was former president Ricardo Lagos (2000-2006) of the Nueva Mayoría's Partido por la Democracia (PPD) followed by Manuel José Ossandón, another independent senator, formerly of the opposition centre-right Renovación Nacional (RN), on 2% (down from 4%).

Bachelet still in the line of fire

The unpopular leftist Nueva Mayoría coalition government led by President Michelle Bachelet remains under intense pressure to respond to what is widely considered the worst forestry disaster in Chile's history [WR-17-03]. The latest survey by pollster Cadem released this week, which showed Bachelet's approval rating at just 20%, revealed that 77% of respondents disapproved of the government's handling of the disaster. It comes as fresh corruption allegations involving Bachelet threaten to do further damage to the Nueva Mayoría ahead of this November's general elections.

The most recent (7 February) report by Chile's national emergency office (Onemi), showed that out of 56 active forest fires, 44 are being controlled, six are still raging and six have been extinguished. A 'state of catastrophe' remains in force in the provinces of Colchagua and Cardenal Caro in O'Higgins Region, as well as in the regions of Maule, Bío Bío, and Araucanía. The death toll produced by the fires so far is 11, while 7,157 people have been affected and 1,644 homes destroyed. On 30 January, the president of Chile's forestry corporation (Corma), Fernando Raga, told reporters that around 70,000 hectares of plantations had been affected by the fires, translating into losses to the industry of some US\$350m.

On 3 February Finance Minister Rodrigo Valdés put the preliminary cost of the fires to the state at C\$233bn (US\$333m), although he said that this figure "is not an estimation of the direct damage of the fire nor of the losses for the economy" rather how much has been allocated to help those affected. This total has been divided into four key categories: C\$93bn associated directly with combating the fires along with immediate support to the affected communities; C\$95bn allocated for the reconstruction of homes; C\$39bn for support costs for productive sectors focusing on small and medium-sized enterprises (SMEs); and another C\$5bn for the reconstruction of schools and other buildings.

Valdés noted that President Bachelet had instructed the use of two main sources to fund these costs, with C\$70bn coming as part of a budget reallocation and a further C\$163bn from the Economic and Social Stabilisation Fund (ESSF), which was set up in 2007. For the time being Valdés is ruling out the possibility of raising funds through new taxes.

Arrests

With 89% of respondents surveyed by the Cadem poll (which was released on 6 February) believing the fires to have been started deliberately, the Bachelet government – which has suggested that criminal activity, including terrorism, could be to blame – is under pressure to bring the suspected perpetrators to justice.

On 1 February, the attorney general's office announced that a total of 65 people had been charged in relation to the fires, with 295 cases still under investigation. On the same day, the local media reported that seven subcontractors hired by the local electricity company, Compañía General de Electricidad (CGE), had been arrested for allegedly starting a fire in Curepto commune, Maule Region, as a result of negligence. The previous day, six other CGE contractors were arrested for similar reasons in relation to another blaze in the Navidad commune of O'Higgins Region while on 30 January, the regional prosecutor for O'Higgins Region presented formal charges against the CGE regional manager, Pablo Yáñez Mardones, over the company's suspected responsibility for a fire in Pumanque commune, after finding out that it had started as a result of a breach of safety regulations.

Exports

Uruguay's total exports in 2016 were valued at US\$8.3bn, according to a report by the country's national export and investment promotion agency (Uruguay XXI). However, Uruguay XXI noted that orders for Uruguayan exports began to pick up in the final two months of 2016 and that by December these had reached a value of US\$707m, a 5% increase compared to the same period in 2015. Based on this trend, Uruguay XXI has projected that the value of the country's exports will increase by 6% in 2017.

Fresh allegations

In a further setback for the Nueva Mayoría administration, on 31 January government spokesperson Paula Narváez was forced to come out and deny allegations that a Brazilian construction firm, OAS, had provided illegal campaign financing to Bachelet's 2013 electoral campaign.

Narváez's remarks were in response to allegations published in a Brazilian current affairs magazine, *Veja*, earlier that day, based on evidence to have emerged as part of the massive investigation ('Operation Car Wash') underway in Brazil into a far-reaching corruption network.

In its report, *Veja* claimed that, in his latest testimony to prosecutors, José Eduardo 'Duda' Cavalcanti de Mendonça, a political strategist of Brazil's formerly ruling Partido dos Trabalhadores (PT) party, had revealed that local construction companies had not only irregularly financed electoral campaigns of leftist political leaders in Brazil but also in other countries in which they have interests. He went on to cite as a key example of this OAS's financing of Bachelet's campaign in 2013.

Given the illegal campaign financing scandals implicating Chilean companies, Penta and SQM to have emerged in recent years, the latest claims are likely to stoke public anger. Chile's Attorney General Jorge Abbott attracted criticism from the right-wing opposition coalition, Chile Vamos, for a radio interview he gave in response to the allegations. In the interview Abbott said that if a complaint based on the *Veja* allegations was filed, his office would consider it although he pointed out that the statute of limitations for electoral campaign financing crimes is one year. Abbott did note, however, that if crimes such as tax fraud could be linked to the irregular campaign financing allegations, then that would "certainly have to be investigated".

TRACKING TRENDS

URUGUAY | Highest fiscal deficit in 27 years. Uruguay's fiscal deficit reached 4% of GDP in 2016, according to the economy & finance ministry (MEF). This is an increase of 3.6% on the fiscal deficit recorded in 2015 and the highest deficit posted by Uruguay in 27 years. The government led by President Tabaré Vázquez had predicted a difficult year for public finances and forecast a deficit of 4.3% of GDP. But the growing fiscal deficit fans opposition concerns that the leftist ruling Frente Amplio (FA) coalition government is unable to contain public spending and shore up Uruguay's finances.

The MEF report notes that the high deficit stems from increased public expenditure, including transactions related to the liquidation process of the national airline Pluna, worth US\$71m; greater transfers of funds to departmental governments; and larger expenditures by the national health fund (Fonasa). At the same time, public-sector income (excluding financial institutions) experienced a minimal increase of 0.1% in 2016, compared to 2015, equalling 29.1% of GDP. Although foreign trade recovered by the end of the 2016, income from exports fell 7.3% compared to 2015 (*see sidebar*).

State-owned enterprises finished the year worse than expected even if their overall income increased by 1.5 % of GDP. The state-owned oil company Administración Nacional de Combustibles, Alcohol y Portland (Ancap) posted a 0.2 % fall in income, while the state-owned Administración Nacional de Telecomunicaciones (Antel) posted a 0.1% fall in income.

That Uruguay's fiscal deficit continues to increase despite the efforts by the current FA administration to stem this via a series of actions approved last year, such as a tax reform designed to boost the tax take, which is due to come into effect this year, has sparked fears that the country's credit rating may be downgraded by international ratings agencies, which would potentially limit its access to international financing. Danilo Astori, the economy & finance minister, recently stressed that reducing the fiscal deficit is one of the government's main objectives this year, with plans to reduce the deficit to 2.5% of GDP by 2019. Astori has provided few details of how this is to be achieved.

Diplomacy

The Mexican government is very keen for bilateral negotiations to be handled through more conventional diplomatic channels. President Trump, in a leaf straight out of the book of Latin America's self-anointed progressive leaders, appears to favour using social media to conduct foreign policy, engaging in a dialogue with his supporters on *Twitter* as a virtual interlocutor. Trump's chief strategist, Steve Bannon, has expressed disdain for the mainstream media in the US, which he recently described as "the opposition party" in the country, urging it to "keep its mouth shut", also in keeping with Latin America's left-leaning governments.

MEXICO & NAFTA

MEXICO | SECURITY & DIPLOMACY

Kelly sets about rescuing relations

The new US secretary of homeland security (DHS), John Kelly, has reached out to Mexico, which he described as "a huge partner" of the US, to combat drug-trafficking, although he was insistent that a border wall would be constructed and he anticipated that within two years from now significant progress would have been made towards its completion. Kelly struck an emollient tone during his appearance on 7 February before the US House of Representatives committee on homeland security, acknowledging that much more needed to be done to reduce demand for drugs in the US, and describing how Mexico would benefit from the wall, while ducking the emotive issue of financing it.

Over the last week relations between Mexico and the US have entered upon a more even keel as the US officials charged with running the key departments responsible for diplomatic and security cooperation have taken up their positions. This should serve to offset some of the damage caused by the candid and confrontational rhetoric, especially on *Twitter*, emanating from US President Donald Trump (see sidebar).

On 2 February Mexico's Foreign Minister Luis Videgaray held a telephone conversation with his newly ratified counterpart at the US State Department, Rex Tillerson, which brought relations back into traditional diplomatic channels, engendering an anodyne statement (which will suit Mexico down to the ground) about the "importance of the relationship" and the commitment of both countries to work together "closely and constructively to strengthen [it]". These sorts of conversations diminish the impact of Trump's extemporised comments, of which there were more on the same day, notably calling for "an extra 'F' in Nafta [the North American Free Trade Agreement]...for free and fair trade".

Kelly's comments during a hearing entitled 'Ending the crisis: America's borders and the path to security' will have provided some reassurance for Mexico. In his testimony to the House committee, Kelly said that "the DHS is immediately taking all appropriate steps to plan, design, and construct a physical wall along the southern border, using the materials and technology that will most effectively achieve operational control of the southern border". But Kelly went on to answer various questions in relation to the proposed border wall, which provided the nuanced detail lacking when Trump alludes to it.

Kelly pointed out that there was an existing wall along some 650 miles (1,000km) of the 2,000-mile border and that this would be extended "in places where the people on that border say we need it right now", while recognising that "some places might be too rugged" and would be covered with "patrolling and technology", such as surveillance balloons. Kelly said that border security officials did not want something they "couldn't see through".

In terms of a timeframe, Kelly said he expected construction to be "well underway within two years...depending upon funding", with the wall "built out to whatever length it eventually becomes". It was noteworthy that Kelly contended that "part of the wall is to enhance border crossings" and ports of entry which, he claimed, would mean better controls of "guns and bulk cash going south", the cause of complaints from governments south of the border, especially Mexico.

Kelly professed ignorance of any plans for how the wall would be financed. This after Deputy Mike Rogers (Republican, Alabama) announced his inten-

Remittances hit record high

Mexico received US\$26.97bn in remittances from expatriates living abroad in 2016, up 8.82% on the previous year and the highest figure in the last two decades, according to the central bank (Banxico). The vast majority of these remittances came from the US. The remittance rate picked up significantly in the final months of the year when the likelihood of Donald Trump winning the presidential elections increased, probably out of fear that he would tax them to help fund his proposed border wall. Remittances are the second-largest source of foreign exchange for Mexico after automobile exports.

tion to introduce legislation to impose a 2% tax on remittances which, he said, would generate US\$1bn a year (*see sidebar*).

In addition to building an adequate physical barrier on the Mexican border to cover “a gaping wound” in US defences, Kelly focused on the need to “continue to build partner capacity” within the region. “Border security requires a layered approach that extends far beyond our shores, throughout the hemisphere, in partnership with our neighbours to the south and north,” he said, adding that he would “advocate for expanding cooperation inside the interagency and with partner nations, particularly Canada and Mexico” because “interagency relationships and bilateral cooperation are critical to identifying, monitoring, and countering threats to US national security and regional stability”.

Kelly argued that his proposed “layered defence”, ranging from stopping drug production in Latin America to rehabilitation in the US, must start with “drug demand reduction”, which is habitually urged by drug-producing countries in Latin America. He said it was “embarrassing” that the US did not have a “drug reduction programme”. Kelly accepted that a by-product of a border wall would be that drug trafficking organisations would adjust and find alternative ways to transport drugs into the US. “It’s all about demand: if we stop the flow of drugs up through Mexico and don’t reduce demand for those drugs they’ll come back up through the Caribbean...if we stop that they’ll come another way...so we’ve got to reduce demand.” He claimed that at present drugs passing up the island chain mostly consisted of “flights out of Venezuela to the Dominican Republic or Puerto Rico”, which, by extension, suggests that construction of the wall could complicate already problematic relations with Venezuela.

In spite of his focus on reducing drug demand in the US, Kelly, who was head of the US Southern Command between 2012 and 2016, defended the ‘war on drugs’. He argued that if cocaine left Colombia and reached Central America, for instance, then it was impossible to stop it entering the US and that “If the drugs reach the US we have lost.” This clashes with prevailing support in the region (and, in the case of marijuana, several US states) for progressively legalising drugs.

Intriguingly, Kelly stressed that the US could “help [Mexico] get after [opium] poppy production, as an example, if we can help them get after the production labs, if we can help them get after the heroin, methamphetamine, as it’s moving in relatively large amounts before it gets to the border”. Kelly argued that most methamphetamines entering the country (which several congressmen claimed were now a serious concern in the US) were produced in Mexico, and that 99% of the heroin consumed in the US “comes up through Mexico”.

The vexed issue of opium poppies in Mexico has come to the fore over the course of the last year in the wake of the legalisation of marijuana for medicinal purposes. Héctor Astudillo, the governor of Mexico’s most violent state, Guerrero, where some 60% of the country’s poppy production is concentrated, is a staunch advocate of legalising poppy cultivation for medicinal purposes, which he argues would reduce drug-related violence by severing the dependence of farmers on criminal groups who buy their poppy harvest to produce heroin, as the Mexican state could buy their harvest instead in order to produce painkillers, such as morphine and codeine.

Various state governors have backed Astudillo’s proposal but Mexico’s federal government has shown little appetite to pursue this course which has not been looked on favourably by the International Narcotics Control Board (INCB) either. One of the difficulties for Mexico to become an ‘approved producer’ is that opium poppies are cultivated in inhospitable and remote areas at high altitude with no state presence and poor infrastructure, where criminal groups rule the roost – but this also explains why eradication is so difficult.

Solís falls short of fiscal reform pledge

President Luis Guillermo Solís was forced to admit last week that his unpopular leftist Partido Acción Ciudadana (PAC) government was abandoning the fiscal reform proposal it introduced in August 2015. This suggests that, as in the case of its predecessors, the PAC administration – hamstrung by its weak legislative presence – will fail to deliver on its electoral pledge of implementing a comprehensive tax reform. The admission, which follows ongoing gridlock in the 57-member legislature, where the PAC has just 13 seats, will fan existing concerns about Costa Rica’s ability to contain its national debt and reduce its fiscal deficit, which reached 5.2% of GDP in 2016 (marginally less than the 5.7% registered in 2015).

As well as broadening the number of goods on which taxes would be payable, including services, the executive’s original fiscal reform initiative had proposed substituting an existing 13% sales tax (from which services are currently exempted) with a more general value-added tax (VAT) of 14% in the first year and 15% thereafter. However, the executive presented a new legislative package to the national assembly last week which, among other things, included the proposal to create the VAT but with a rate of 13%, while calling for an increase in the number of products and services subjected to VAT.

The continued political stalemate over fiscal reform in the country has attracted international concern, prompting the international credit ratings agency Fitch last month to downgrade Costa Rica’s long-term foreign- and local-currency issuer default ratings (IDRs) to ‘BB’ from ‘BB+'. In a statement dated 19 January, Fitch attributed its decision to “Costa Rica’s deteriorating debt dynamics driven by large fiscal deficits and continued institutional gridlock preventing progress on reforms to correct fiscal imbalances”. Fitch said that “the outlook for passage of the crucial VAT and income tax proposals (estimated to provide close to 2% of GDP in additional revenues) has significantly diminished as the February 2018 congressional and presidential elections approach”.

Against this backdrop of concern about the country’s fiscal position, President Solís attracted further criticism for his announcement that the government was withdrawing a legislative bill that would reduce public sector salary benefits. The bill has attracted strong opposition from the union umbrella group Patria Justa, which includes organisations such as the Asociación Nacional de Empleados Públicos y Privados (Anep) public sector workers’ union and the Unión Nacional de Empleados de la Caja y la Seguridad Social (Undeca), which represents employees from the national social security institute (CCSS). With Patria Justa having announced plans to stage protests against the bill on 6 February (since called off following the government’s U-turn), Solís was forced to deny that the decision was the result of pressure from the unions.

Ministers step down

In recent weeks, two cabinet ministers have resigned ahead of the 5 February deadline for ministers seeking to run in the February 2018 general elections to quit. Labour Minister Carlos Alvarado stepped down on 19 January, telling reporters that he was doing so in order to seek the presidential candidacy for the PAC. On 2 February Economy, Industry & Trade Minister Welmer Ramos followed suit – a move linked to similar reasons. Alvarado has been replaced by his deputy, Alfredo Hasbun; Ramos’s post will be filled imminently.

Debt concerns

The Fitch statement flagged up concerns about the rise in Costa Rica’s debt burden in the last decade. It cites figures which show that gross general government debt doubled to an estimated 41% of GDP in 2016 from 20% of GDP in 2008, with debt expected to reach over 60% of GDP in the next decade.

Moïse takes office under corruption cloud

Other allegations

The *Miami Herald* report claims that the local judge, Brédy Fabien, is considering a second set of allegations involving President Moïse's finances – this time by the government's anti-corruption unit. These allegations involve two loans – one for US\$600,000 and “another for 19 million Haitian gourdes, or about US\$436,064 at the time” – which were reportedly among several problematic transactions flagged up in a report on banking practices. According to the *Miami Herald*, which saw the confidential report, both of the loans are “delinquent and were quickly approved without following normal procedures and guarantees”.

Following his outright victory in the 20 November 2016 presidential election for Parti Haïtien Tèt Kale (PHTK), the party of former president Michel Martelly (2011-2016) [WR-17-01], Jovenel Moïse took up the presidency on 7 February. While signalling an end to the interim government and 18 months of political crisis, Moïse's inauguration, nonetheless, took place amid a shroud of doubts regarding his commitment to combating corruption given money laundering allegations implicating the first couple which a judge is currently investigating.

The allegations made headlines on 18 January when Sonel Jean-François, the director general of Haiti's financial intelligence unit (Ucraf), presented the findings of a report – currently being analysed by local judge Brédy Fabien – which suggests that Moïse had allegedly laundered money through a personal bank account he held with his wife. According to a *Miami Herald* report published on 24 January, Jean-François told reporters that the investigation had been launched in 2013 after Ucraf was contacted by a bank regarding suspicious transactions. The same *Miami Herald* report, which claims that Fabien is considering a further set of allegations against Moïse (see sidebar), asserts that Fabien is looking at information supplied by Ucraf, which examined 14 bank accounts held by Moïse, his wife, and his businesses. The investigation, which reportedly spans 2007-2013, looks at the pattern of transactions, including large daily deposits that “exceeded the threshold for declaring the source of funds as well as the unusual pattern of vehicle purchases that he made – 45, most of them new and all registered in his name”.

Moïse, who has vehemently denied the claims, takes office with a strong representation in both the 119-member lower chamber and the 30-member senate. In what was the final stage of the protracted electoral cycle that began in 2015, second-round run-off elections were held on 29 January for eight senate seats (along with elections for 5,500 local posts). Endorsed by a 77-strong Electoral Observation Mission of the Organization of American States (OAS) along with the head of the United Nations Stabilisation Mission in Haiti (Minustah), Sandra Honoré, and the Core Group (which comprises the ambassadors of Brazil, Canada, France, Spain, the US, and the European Union, and the OAS Special Representative), the vote follows the 20 November 2016 first round of elections for the 10 senate seats, in which only two seats were won outright (one of which went to the PHTK).

Preliminary results as reported by the local press on 3 February show the PHTK with four seats while its allies, Ayiti An Aksyon (AAA), Réseau Nationale Bouclier Haïtien (Bouclier) and Consortium received one apiece, and the opposition Inité, the other. Back in January 2016, 14 senators received their credentials including two for PHTK, while KID and AAA received three and one respectively. The results for six senate seat run-offs also held in November 2016 show that three went to PHTK and one each to Bouclier and Consortium. The latest results thus give PHTK and its allies a majority in the upper house.

As regards the 119-seat chamber of deputies, on 19 January, the local press reported that five blocs had been formed. These are: Alliance parlementaire pour Haïti (APH), comprising 64 deputies from the PHTK and allies; Groupe parlementaire pour la stabilité (GPS), made up of 15 opposition deputies; Vérité-OPL, comprising Plateforme Vérité, the party of former president René Préval (1996-2001; 2006-2011), and the also opposition Organisation du Peuple en Lutte (OPL), with 14 deputies; the opposition Groupe Parlementaire à l'Ecoute du Peuple (GPEP) which has 11 seats; and Groupe de parlementaires indépendants (GPI) which has 10 seats.

Quotes of the week

“We'll leave rivalry for football, in everything else we are partners.”

Argentina's President Mauricio Macri upon signing a joint declaration with his Brazilian peer Michel Temer during an official visit.

“Mexico is not part of a Trump 'holding'.”

The mayor of Mexico City, Miguel Ángel Mancera, on US President Donald Trump's confrontational style.

“I think a coup within the coup is possible to make the democratic elections of 2018 unviable. They will try to destroy [former president Lula da Silva (2003-2011) if he runs] in anyway possible. There is a serious risk that they will try and invalidate the elections.”

Brazil's impeached former president Dilma Rousseff (2011-2016).

Mercosur and Pacific Alliance set on convergence

Brazil's President Michel Temer and his Argentine peer Mauricio Macri plotted how to set the Southern Common Market (Mercosur) on a new course on 7 February. Temer, who played host to Macri in Brasília, highlighted the need for Mercosur to seek greater integration within the region, placing an emphasis on closer ties with the Pacific Alliance, the trade bloc comprising Mexico, Colombia, Chile and Peru. In a joint press statement Macri seconded Temer's remarks, singling out Mexico, which he said was “looking southwards with greater resolve” given the grey clouds of uncertainty when it looks to the north (implied but unstated).

President Macri's official visit to Brazil provided symbolically significant recognition for President Temer who has not received any Latin American head of state since he replaced the impeached Dilma Rousseff last August. Temer promised “greater cooperation” in the face of a world “showing a tendency towards disunion and protectionism”. The two heads of state agreed that removing tariff barriers between their countries, which contravene the terms of Mercosur's founding treaty and aspirations to be a genuine customs union, would be a good place to start. They are seeking assistance from the Inter-American Development Bank (IDB) to create common technical, sanitary and phytosanitary standards to help break down tariff barriers within the bloc. Export promotion agencies from both countries also signed a cooperation agreement.

Both Macri and Temer are staking a lot on sealing a protracted trade agreement between Mercosur and the European Union (EU). But these negotiations have dragged on for years; the agricultural protectionism of EU member countries remains an obstacle; and Brexit has complicated matters, not to mention the fact that both Macri and Temer face difficult domestic economic and political challenges. Deepening ties with the dynamic, outward-looking Pacific Alliance, especially given the precarious future of the North American Free Trade Agreement (Nafta) for Mexico, could be achieved more rapidly. Macri said he had just spoken to Mexico's President Enrique Peña Nieto stressing that Mexico was a very attractive market for Argentine exports; Peña Nieto thanked Macri for his “solidarity” and said that he had instructed his economy ministry to make trade talks with Argentina, and Mercosur, a top priority.

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