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Ecuador's Moreno bids to consign Correa to margins

Ecuador's President Lenín Moreno stands poised to expand his power at the helm of the Citizens' Revolution while diminishing the influence of his predecessor Rafael Correa (2007-2017). The poisoned darts fired at each other by Moreno and Correa on *Twitter* in recent months have provided a gripping drama for the public and politicians of the deeply divided ruling Alianza País (AP) alike. But two concrete developments this week could give Moreno a decisive advantage over Correa. Firstly, Vice-President Jorge Glas, Correa's most senior acolyte, was placed under preventive detention on suspicion of corruption. Secondly, Moreno published details of a referendum he is organising that could, inter alia, rule out a comeback by Correa by barring indefinite presidential re-election.

The chasm that has opened up between President Moreno and his predecessor is transforming politics in Ecuador. The political opposition is a bystander to the acrimonious exchanges between Moreno and Correa which have thrown the previously dominant ruling AP into disarray. As Moreno seeks to marginalise Correa, the visible strain on the AP in the national assembly could tear the party asunder.

The fall of Glas last week laid bare these divisions. The attorney general, Carlos Baca, requested that Glas be placed under preventive detention for irregularities surrounding public contracts awarded to the Brazilian construction company Odebrecht in Ecuador. The supreme court duly obliged. Glas was flown back to Quito from Guayaquil in a military plane, his accounts frozen, and sale of his property prohibited.

AP deputies then descended into heated exchanges over whether to move to impeach Glas. The president of the national assembly, José Serrano, urged Glas to step down from his role to concentrate on the legal case against him. Marcela Aguiñaga, an AP legislator and party director for the country's largest province of Guayas, dismissed the preventive detention of Glas as "disproportionate and arbitrary". Moreno did not wait for them to overcome their differences and reach a decision. He issued a decree on 4 October appointing his urban development and housing minister, María Alejandra Vicuña, to replace Glas, arguing that "someone that has been imprisoned cannot exercise his functions as vice-president".

Glas had tweeted within minutes of the supreme court's ruling that he accepted the "infamous attack under protest", while expressing his faith that "justice will prevail". He insisted that "this process is political not legal", and called upon Baca to publish the evidence against him. Baca, who has announced further investigations into Glas for bribery and asset laundering, has not done so. But Baca did say that the US Department of Justice had supplied information on a USB stick directly tying Glas to his uncle Ricardo Rivera; for instance, the

“In presidential regimes like ours...possible indefinite re-election weakens democracy and often leads to inefficient governance...it was never part of the spirit or the letter of Montecristi [where the constituent assembly drafted the 2008 constitution]...alternation [of power] broadens participation rights, strengthens accountability, and guarantees democracy.”

President Lenín Moreno.

transfer of US\$150,000 by Odebrecht to a front company with the code “uncle”. Glas has vehemently denied any such involvement with Rivera, claiming he only met his uncle once or twice a year at family gatherings.

Correa swiftly tweeted that “an honest man has lost his freedom: let the world tremble”. He then quoted his icon, former president Eloy Alfaro (1895-1901; 1906-1911), the liberal reformer whose favourite phrase was “the darkest hour is just before dawn”. From Correa’s perspective, however, it is far from clear that the dawn is nigh.

Moreno published seven questions this week for a referendum he hopes to see held before the end of the year. One of these would outlaw indefinite presidential re-election, slamming shut the door Correa pushed ajar in December 2015 for a possible return in 2021. Back then Correa pushed through the national assembly a constitutional reform allowing indefinite re-election (*see sidebar*).

Another question in the referendum would see the dismissal of all of the present members of the Consejo de Participación Ciudadana y Control Social (CPCCS), the body established in the 2008 constitution to combat corruption, improve transparency and accountability, and appoint the attorney general, the comptroller general, and members of the national electoral council (CNE). Moreno said that the CPCCS had been conceived by constituent assembly delegates as being composed of a group of citizens of unimpeachable ethical standards “with no partisan interests”, but “unfortunately this never happened” and it had become heavily politicised (the political opposition, and indigenous and social organisations accuse the body of doing Correa’s bidding). Moreno said he would create a transitory council to replace the CPCCS, if voters vote in favour of reforming the body, until it could be filled by appointees with non-partisan interests.

Moreno accused the CPCCS of failing to fulfil its main remit of combating corruption. The first question in the referendum would seek to introduce a major deterrent to official corruption. It asks the public whether all public officials found guilty of corruption should be barred from politics for life.

Moreno also distanced himself decisively from Correa with three further questions in the referendum. Two of these constitute gestures to the country’s largest indigenous organisation, Confederación de Nacionalidades Indígenas de Ecuador (Conaie), which was ostracised by Correa. One of these would widen by 50,000 hectares the intangible zone in the Yasuní biosphere reserve where extractive activities are outlawed in order to protect indigenous groups living in voluntary isolation – the Tagaeri and Taromenane. It would also reduce by one-third the area of the Ishpingo-Tambococha-Tiputini (ITT) in Yasuní which was opened up for oil exploitation by the Correa administration.

Another question would require all mining to be responsible, respecting environmental and social laws, and not impacting fragile ecosystems and habitats. This falls some way short of the call by the new president of Conaie, Jaime Vargas, to end all extractive activities in Ecuador and promote new conservation policies, but it is a gesture nonetheless.

The referendum will also propose rescinding the capital gains law approved under Correa in December 2016, which Moreno said had resulted in “negative effects on jobs and the economy”, had failed to reduce speculation, and had “crippled the construction sector which has been contracting by nearly 8%”. The final question would remove the statute of limitations for sexual crimes against minors. Moreno claimed that taken together the changes envisaged in the referendum would “give us powerful tools to confront corruption, to strengthen democracy, reactivate employment and the economy, to look after our children, protect the environment better, and invigorate our greatest richness, diversity”.

Divisions emerge in electoral coalitions over peace

For the first time since it took up arms in 1964, the Ejército de Liberación Nacional (ELN) guerrilla group embarked upon a bilateral ceasefire with government security forces on 1 October. It ought to mark a historic milestone and offer encouragement for the completion of a peace process to complement that being implemented with the Fuerzas Armadas Revolucionarias de Colombia (Farc). But optimism was dampened by the ELN's seeming intent on inflicting as much damage as possible in the run-up to the declaration of the ceasefire; doubts about the control exerted by the ELN central command (Coce) over the group's various fronts; and impending general elections, which are producing sharp divisions over peace even within the ruling Unidad Nacional coalition.

If all goes to plan the bilateral ceasefire with the ELN will last just over three months, although if sufficient progress is made between government and guerrilla group negotiators in Ecuador in the meantime an extension is likely. President Juan Manuel Santos made clear in a speech on 29 September that the ceasefire consisted of more than just a cessation of hostilities between the security forces and guerrillas, and also required the ELN to desist from kidnapping, extortion, and perpetrating attacks on national infrastructure.

In the days leading up to the implementation of the ceasefire, the ELN carried out five attacks on oil infrastructure, principally the Caño Limón-Coveñas pipeline, in the municipalities of Arauquita and Saravena in the eastern department of Arauca, and Teorama, El Carmen and Toledo in nearby Norte de Santander, causing serious environmental damage. "It would seem that the ELN wanted to enter upon the ceasefire with the greatest possible repudiation and maximum discredit in the eyes of the Colombian public," the head of the government negotiating team, Juan Camilo Restrepo, said.

Although the ELN denied it, the government also held the guerrilla group responsible for an attack on security forces in the municipality of Miranda, in the south-western department of Cauca, which claimed the lives of three police officers. The attack raised questions about the Coce's ability to assert its authority over the guerrilla group's various fronts: the Farc possessed a vertical leadership structure; the ELN a much more horizontal hierarchy. The maximum leader of the ELN, 'Gabino' (Nicolás Rodríguez), released a video message calling on the rank-and-file to abide by the ceasefire (*see sidebar*).

The United Nations (UN) and the Catholic Church will verify compliance with the ceasefire, and have observers stationed in 33 locations. Santos expressed his hope that the ceasefire could be extended and "become the first step to peace with the ELN". By the time the ceasefire expires on 9 January next year, however, it will be just two months ahead of congressional elections on 11 March, with presidential elections to follow in May. There are already clear signs of tension as political parties jockey for position, most notably between Cambio Radical (CR), the party of Germán Vargas Lleras, who stepped down as vice-president last March and is the current frontrunner in the presidential race, and the other parties within the ruling Unidad Nacional coalition: Partido Liberal (PL) and Partido de la U (PU).

ELN ceasefire

"It wasn't easy to reach this agreement but finally we achieved it," the maximum leader of the ELN, 'Gabino' (Nicolás Rodríguez), said in a video message released this week. "We have insisted on the urgency of this ceasefire because it stops offensive actions and brings important humanitarian relief to the Colombian population," he added.

Broad coalition

PL presidential pre-candidate Humberto de la Calle advocates a broad coalition “to contain populism on the Right and Left which are equally dangerous”. He has already met aspirants on the moderate left – Sergio Fajardo and Claudia López – to discuss this. Fajardo, López, and Enrique Robledo recently agreed to forge Coalición Colombia for which they will vie against each other to become the presidential candidate.

Meanwhile, the agriculture minister, Aurelio Iragorri, resigned on 3 October ahead of assuming the presidency of the PU on 20 October.

Iragorri, who has been replaced by a former mayor of Villavicencio, Juan Guillermo Zuluaga, will also push for a broad coalition and help forge the party’s shared slate of congressional candidates.

Electoral threat to peace

Santos’s admonition this week during a meeting with members of congress in the presidential palace Casa de Nariño that anyone who failed to support the peace process would have to leave his government appeared to be aimed at the CR, after the party refused to vote in favour of a bill regulating the transitional justice system. “The majority of the recently named [peace tribunal] magistrates have a clear political bias [in favour of the Farc] which provides no guarantee for civil society given their clear prejudgement of...the internal armed conflict,” the CR said in a statement released last week. The CR also raised its concern that the Farc will use the system to “achieve objectives that it could not manage through arms or political negotiation”.

The CR defied Santos’s apparent ultimatum. But the long-delayed bill was still approved in the first of three debates at committee level in the lower chamber and the senate within hours of Santos’s remarks. There have been no immediate repercussions for the CR, with its two cabinet ministers – Jaime Pumarejo (housing) and Luis Gilberto Murillo (environment) – retaining their posts, at least for now. Vargas Lleras might not remain the candidate of choice for Santos, however, as a result of the disagreement over the spine of the peace process. After assuming the position of PL party president during a party congress on 29 September, former president César Gaviria (1990-1994) was critical of Santos for his endorsement of Vargas Lleras.

The PU, which does not have a presidential candidate of its own, confirmed during the congress that it will present a joint congressional slate with the PL and stand behind the presidential pre-candidate to emerge triumphant from the PL’s primary elections on 19 November. These pit against one another politicians who, unlike Vargas Lleras, are firm proponents of the peace process: Humberto de la Calle, who led the government’s negotiating team with the Farc in Cuba, Juan Fernando Cristo, who stepped down as interior minister in May, and Senators Luis Fernando Velasco and Edinson Delgado.

All the PL pre-candidates, along with PU Senators Roy Barreras and Armando Benedetti, guests of honour at the PL party congress, are keen to lead a broad centrist coalition (*see sidebar*) to oppose the coalition being formed on the Right between Centro Democrático (CD), led by Santos’s predecessor (2002-2010) Senator Alvaro Uribe, and the Partido Conservador (PC). Jorge Enrique Vélez, the CR party president, ruled out joining the PL-PU coalition saying “we have our own plans”. Vélez provided no further details but these plans are unlikely to involve an alliance with the Right as there is no love lost at all between Vargas Lleras and Uribe despite finding common cause in opposing the transitional justice system.

PERU | POLITICS

Aráoz seeks support against complicated backdrop

Peru’s new prime minister Mercedes Aráoz appears to have broad political support ahead of the congressional vote of confidence in the revamped cabinet on 12 October, with four of the six congressional benches set to back her. For now, this includes the principal opposition Fuerza Popular (FP, Fujimoristas), which controls congress and to all intents and purposes dictates the pace to the minority government led by President Pedro Pablo Kuczynski.

“We have a policy of listening [to Aráoz’s pending presentation of her new plan of government to congress] before taking a decision. However, it seems to us that the cabinet has taken the correct steps to obtain the confidence of the parliament,” FP spokesperson Daniel Salaverry told local media. The FP bench currently has 71 seats (out of 130), while Aráoz also has the confirmed

Vizcarra

Martín Vizcarra, Peru's elected first vice president, has been appointed as ambassador to Canada. Vizcarra resigned his cabinet post as transport & communications minister in May ahead of a potential congressional censure over the contract for the new Chinchero airport in Cusco, which remains on hold. Vizcarra replaces Doraliza Marcela López Bravo.

support of 19 votes from Acción Popular (AP), Alianza para el Progreso (APP) and the Partido Aprista Peruano (PAP), taking her to 90. With the 14 additional votes from the legislators representing President Kuczynski's small Partido por el Cambio (PPK), Aráoz should have more than enough to secure a confidence vote.

The second-largest congressional bench – the leftist Frente Amplio (FA) coalition, led by Verónica Mendoza and her party Nuevo Perú – is still reserving judgement on Aráoz. Alberto Quintanilla, spokesperson for Nuevo Perú, said that the FA had put six specific requests to Aráoz in their meeting with her, and would base their support for the new cabinet on her response.

Nonetheless, the alternate spokesperson for PAP, Javier Velásquez Quesquén, commented to the national daily *El Comercio* on 4 October that “unless something serious happens in the coming days, there is no reason to deny confidence”.

This being Peru, however, drama is always around the corner and Aráoz belied her nerves in trying to take very firm distance from the latest developments in the ongoing official investigations into corruption centred on the FP leader Keiko Fujimori and the PAP leader and twice former president Alan García (1985-1990, 2006-2011).

Amid fierce criticism by both parties, Aráoz gave a press conference following a cabinet meeting on 4 October in which she insisted that the Kuczynski government was respectful of the autonomy of the public ministry and as such called on everyone else to respect the independence of the institution. She was careful to emphasise that the government would not get involved in any way with “this material”.

A furious García has announced that he intends to file legal action against the public ministry's decision to extend for another 36 months its investigation into him (along with his wife, Pilar Nores, and others linked to his second term in office) for money laundering, and to place the investigation under the framework of the organised crime law. The FP has likewise questioned the public ministry's move to investigate Fujimori for money laundering under the organised crime law.

Balancing on a verbal tightrope, Aráoz stressed that while the government aimed to combat money laundering, Peruvian citizens had a right to defend themselves using legal mechanisms of their choosing. “On this I have no need to make value judgements,” she commented. And in reference to the controversial public ministry decision, she added that she was “not going to start evaluating whether its action is correct or incorrect”. Aráoz served as economy & finance minister in García's second term and made an aborted attempt to run for president on the party's ticket.

While García is kicking up the biggest fuss over the public ministry's decision, it is Fujimori who has the most to lose, ahead of her next (third) bid for the presidency in 2021. Peruvian legal analysts say that the decision to investigate her under the terms of the organised crime law puts her in “the same bag” as the three former presidents (García, Ollanta Humala [2011-2016] and Alejandro Toledo [2001-2006]) who are under investigation for corruption, including in relation to the bribery scandal involving the Brazilian construction company Odebrecht.

There are four key allegations against Fujimori, relating to irregular campaign financing for her 2011 presidential election bid, alleged links to Odebrecht, alleged money laundering, and alleged implication in organised crime.

Russia to the rescue

President Vladimir Putin told his Venezuelan counterpart Nicolás Maduro what he wanted to hear in Moscow this week, confirming that Russia would maintain its economic cooperation with Venezuela. Maduro thanked Putin for Russian grain shipments, which, he said, had “helped keep consumption in Venezuela stable”.

“We see that Venezuela is going through difficult times,” Putin stated at a joint press conference with Maduro at the Kremlin. “We have the impression that you have, nevertheless, been able to establish some contact with those political forces that oppose you. For our part, work continues, including in the economic sphere,” he added. “I’m very thankful for all the support, political and diplomatic, in the difficult times we are living through,” Maduro replied, in something of an understatement.

Separately, Venezuela’s oil minister Eulogio del Pino confirmed that state oil company Pdvsa is in negotiations to swap the collateral held by its Russian counterpart Rosneft in Pdvsa’s US subsidiary Citgo, indicating that an agreement was on the cards “very soon”. Rosneft has been looking to swap its 49.9% stake in Citgo – which it took in late 2016 in return for a US\$1.5bn loan to the cash-strapped Maduro government – for a stake in Venezuelan oilfields, and, reportedly, a fuel supply deal.

Rosneft wants to do this swap so as to avoid legal problems in the US – both the Russian and Venezuelan governments are now subject to US sanctions. Moreover, there has been political disquiet on Capitol Hill at Russia owning a stake in an important US-based energy company. Additionally, from Rosneft’s point of view, it may not want to be left holding US-based Pdvsa assets in the event of a Venezuela default – when Citgo would almost certainly be subject to seizure efforts by Venezuelan creditors.

It remains to be seen what assets on the ground Pdvsa will give Rosneft in the swap. While extending loans to the Maduro government, it has been buying and then reselling Venezuelan heavy crude and other products in the region, establishing a growing presence in the Western Hemisphere (which has also unnerved some US politicians). In August, Rosneft said it had made around US\$6bn overall in ‘pre-payments’ to Pdvsa.

Bondholder nerves

The Venezuelan government and Pdvsa are now facing a US\$3.5bn bond debt bill due in coming weeks. Just over US\$320m falls due on 12-13 October on the Pdvsa 2027 and 2037 bonds, along with two sovereign instruments maturing in 2019 and 2024. This is followed by a bill of US\$237m on 21 October for two sovereign issues, before a big lump sum of US\$1.1bn on 27-28 October, relating to the Pdvsa 2020 and 2022 bonds. As of 3 October, the central bank of Venezuela (BCV) reported US\$9.9bn in international reserves, of which at least two-thirds are held in (illiquid) gold.

The large 2020 repayment includes US\$842m in capital repayments. Another large repayment of US\$1.2bn (also including capital and interest), falls due on 2 November. The repayment schedule over the rest of November is lighter, with six interest payments of around US\$100m spread over a 10-day period from 7 November.

Russian restructuring

President Maduro all but confirmed that Venezuela’s bilateral debt with Russia would be restructured. Speaking at the Russia Energy Week, Maduro insisted that Venezuela would meet all of its debt obligations.

Maduro riles Rajoy

“Who is the dictator now”? President Nicolás Maduro demanded in reaction to the heavy-handed Spanish police response to the Catalan independence referendum on 1 October. “Mariano Rajoy has chosen blood, sticks, blows, and repression against a noble people. Our hand goes out to the people of Catalonia. Resist, Catalonia! Latin America admires you,” he declared on his weekly television show.

Investor nervousness is particularly acute in the run-up to these payment dates, not only because of the large amounts involved, but also because, somewhat unusually, there is no grace period for these repayments (typically, a grace period of 30 days is included in payment clauses). Moreover, the large sum due on the Pdvs 2020 bond (on 27 October) is backed by Citgo as collateral.

Venezuela at bottom of yet another global index

For the third consecutive year in 2017 Venezuela ranked bottom of 159 countries in the Economic Freedom Index prepared by Canada’s Fraser Institute. The report measures the degree to which the policies and institutions of countries are supportive of economic freedom.

Forty-two data points – including personal choice, voluntary exchange, freedom to enter markets and compete, and security of the person and privately owned property – are used to construct a summary index and to measure the degree of economic freedom in five broad areas: size of government, legal system and property rights, sound money, freedom to trade internationally, and regulation.

The 10 lowest-rated countries are: Iran, Chad, Myanmar, Syria, Libya, Argentina, Algeria, the Republic of the Congo, the Central African Republic, and, lastly, Venezuela.

TRACKING TRENDS

PERU | Service exports. Peru exported US\$6.26bn worth of services (including tourism, banking, transport, and information technology services) in 2016, on central bank (BCRP) data, the foreign trade & tourism minister, Eduardo Ferreyros, revealed on 2 October. The figure is slightly lower than the US\$6.28bn worth of services exported by the country in 2015, when they grew by 7% year-on-year. However, Ferreyros said that following the promulgation of the new ‘foreign exports promotion law’ by President Pedro Pablo Kuczynski in August this year, the government expects that exports of services will increase by 8% to US\$6.76bn this year.

Speaking at the ‘Perú Service Summit’ sector conference held in Peru’s capital, Lima, Ferreyros said that the new law, which exempts service exporters from having to pay the general sales tax (IGV), has set a solid legal framework for these exports to grow at a faster rate. Indeed, the minister said that the government hopes that, thanks to the new legal framework, Peru’s service exports will reach US\$13bn by 2021 and turn Peru into a services sector hub for Latin America.

Ferreyros’s remarks came after the coordinator for service exports at Peru’s official export promotion agency (Promperú), David Edery, noted that 70% of Peru’s service exports are currently destined for other Latin American countries such as Colombia, Ecuador, Chile, Bolivia, Argentina, Mexico, and Brazil.

VENEZUELA | Opec accord. Venezuela’s oil minister Eulogio del Pino said that up to 12 more oil-producing countries (from Latin America and Africa) would be invited to sign up to the global output agreement between the Organisation of Petroleum Exporting Countries (Opec) and around 11 non-Opec producers, including Russia.

With the recent bounce in international crude oil prices towards US\$60/barrel (/b) having lasted no more than a week – the price dipped back to US\$55/b on rising US exports – Venezuela has been leading the push to extend the global output quotas for a third time to March 2018. Saudi Arabia appears to support extension of the quotas, but notably Russia – itself very cash-strapped and always quite a reluctant signatory to the deal – seems more tepid.

Russia’s energy minister, Alexander Novak, noted that oil prices were stabilising at a “suitable” level (of between US\$50 and \$60 a barrel). For Venezuela, however, oil at US\$55/b is not even close to what it needs – private economists have calculated its fiscal breakeven point at over US\$200/b, the highest of all the Opec members.

Still lukewarm on Lula ahead of elections

Brazil is deeply divided over former president Lula da Silva (2003-2011) from the leftist Partido dos Trabalhadores (PT) party. Remembered for his progressive social welfare policies, Lula retains significant popularity and cannot be discounted if he runs in the 2018 presidential election. But more than half of Brazilians want him locked up in jail, according to a recent poll by *Datafolha*.

At this early stage in the game, Lula is comfortably ahead of all other presidential hopefuls in the 2018 electoral race, according to a poll published by *Datafolha* on 30 September. Lula has 35% of voter intentions. Right-wing candidate Jair Bolsonaro from the Partido Social Cristão (PSC) comes in second place with 16%, and Marina Silva from the left-wing Rede Sustentabilidade (Rede) is in third with 15%. The survey was based on 2,772 interviews across 194 cities with a 2% error margin.

Moreover, the poll predicts Lula would emerge victorious in both the first round and the second-round run-off. The only exception is that hypothetically federal judge Sérgio Moro would draw with Lula in the second round if he ran for president (which seems unlikely).

This result would be a major victory for the PT if it were not for the backlog of lawsuits Lula faces. In July, Moro sentenced Lula to 10 years 6 months in jail for money laundering and passive corruption – but he remains free while he appeals the verdict. He is also the subject of another six probes linked to the anti-corruption investigation ‘Operation Car Wash’.

Despite his current lead in the polls, the corruption allegations have not gone unnoticed. Another *Datafolha* poll shows 54% of Brazilians believe there is enough evidence from ‘Operation Car Wash’ to imprison Lula. And Lula’s disapproval rates are high at 54%.

The divide in public opinion concerning Lula poses a problem for Brazil’s judiciary. If he is convicted before the elections, this may strengthen the PT’s narrative that the legal cases against him are a form of political persecution. However, if he is allowed to run, that could undermine ‘Operation Car Wash’ and challenge the authority of prosecutors.

Even within the PT, Lula continues to polarise opinion. This week, Lula’s former finance minister and founding member of the PT Antonio Palocci chose to break with the party. In a hand-written note addressed to party president Gleisi Hoffmann, he delivered a virulent attack against the “myth” of Lula. “Are we a political party led by people of flesh and bones or a sect led by a divinity?” he asked, referring to the alleged blindness of PT supporters to Lula’s shortcomings in light of ‘Operation Car Wash’. Palocci is currently serving out a 12-year prison sentence for corruption and has signed a plea bargain deal with prosecutors and implored Lula to do the same.

In response, Hoffmann questioned Palocci’s loyalty to the PT. “Palocci decided to burn his bridges, break with his own history and go back on promises he defended in the past,” Hoffmann said in a statement. “The disrespectful and libellous way in which he describes Lula shows his weakness of character and desperation to please his inquisitors,” she added.

Electoral reform could cull smaller parties

An electoral reform approved by the senate on 3 October could stifle smaller parties by introducing an electoral threshold before they can gain access to shared campaign funds or radio and television time. A study by Brazilian news site *Folha de São Paulo* shows that 40% of Brazil’s 35 existing parties could lose resources under the new bill, including Bolsonaro’s Partido Ecológico Nacional (PEN) party.

Hydropower auction attracts international interest

The government raised R\$12.3bn (US\$3.85bn) in investment from selling off four hydroelectric power plants in Minas Gerais state owned by state-owned energy company Cemig. This was 10% better than the government estimate of R\$11bn. The positive result is a sign of investor confidence in the business-friendly government led by President Temer as it moves ahead with a privatisation plan to auction off state-owned assets including electricity company Eletrobras.

Despite the controversies surrounding Lula, the chances of another PT presidency in 2018 would be much slimmer without him. The poll by *Datafolha* shows that if the PT's 'Plan B' candidate Fernando Haddad ran instead of Lula, he would have just 3% of voter intentions.

Even if Lula were barred from running due to lawsuits, he would undoubtedly remain an important political force for the PT in the run-up to the 2018 elections. The party's 'Plan C' could be to boycott the elections altogether. "Stopping Lula from running would be a fraud. [Boycott] is not being officially discussed, but talks will move in that direction if his candidacy is impeded," Hoffmann said in an interview with *BBC Brasil* published on 18 September.

In contrast with the PT, whose electoral hopes appear to hinge around a single man, the centre-right Partido da Social Democracia Brasileira (PSDB) has the opposite problem since its two main candidates, political veteran Geraldo Alckmin and mentee João Doria, appear to be equally popular, resulting in a leadership dispute. Both would have around 8%-10% of the vote in the *Datafolha* poll, putting them in fourth place behind Lula, Bolsonaro, and Marina Silva.

The last scenario shows that Brazilians currently favour far left or right presidential contenders over more centrist candidates. This could jeopardise the progress of the economic reforms currently being pursued by President Michel Temer from the Partido do Movimento Democrático Brasileiro (PMDB), causing uncertainty in financial markets.

Lula would certainly seek to reverse Temer's austerity measures designed to cap the fiscal deficit. He opposes Temer's privatisation drive, which he sees as a threat to national sovereignty claiming that he is "selling off Brazil". The economic policies of Silva and Bolsonaro are less clear at this point in time. Doria and Alckmin would be more likely to continue Temer's economic policies since the PSDB is allied with the ruling PMDB government.

Brazilian oil and gas sector attracts international investment

The 14th bidding round of oil and gas exploration on 27 September attracted a record R\$3.8bn (US\$1.2bn) in investment from energy companies. This is well-above the R\$500m (US\$157m) benchmark that industry regulator Agência Nacional do Petróleo (ANP) had expected. President Temer has welcomed the result as a sign that investor confidence is returning to Brazil.

In total, 32 companies expressed interest in bidding for 287 blocks containing 10bn barrels of oil on both onshore and offshore sites located in eight sedimentary basins. However, in the end, only 10 companies won 37 blocks.

Most of the investment was raised from record-breaking bids on two blocs in the offshore Campos basin, located off the coast of Rio de Janeiro state, for R\$3.6bn (US\$1.3bn). These were awarded to a consortium between Exxon Mobil and Brazil's state-owned oil firm Petrobras.

The positive result for the 14th round comes after the government introduced more market-friendly regulations for the industry. These include lowering local content requirements for oil projects; establishing separate royalties for new frontier areas to incentivise exploration risk; and introducing a new tax benefits scheme for oil and gas companies, called Repetro, until 2019.

The next two rounds are scheduled to take place on 27 October for pre-salt deep-water oil blocs. These include the lucrative 'polygon' offshore reserves (located between Rio de Janeiro and São Paulo) which account for nearly half of Brazil's production, according to the ANP. Eleven companies have already expressed an interest in bidding.

The next two rounds follow another regulatory change, after the government opened up the country's pre-salt reserves to private investors for the first time last year. Previously, Petrobras had a mandatory 30% stake in all concessions.

Macri winning tussle with Fernández

Fernández allies in court

Amado Boudou is being charged with abuse of power for improperly acquiring a 70% stake in the struggling money-printing firm Ciccone via The Old Fund, a shell company allegedly fronted by Alejandro Vandebroele, a friend of his, while he was in office. Julio de Vido is facing separate charges related to public contract irregularities, and his responsibility for safety failures which led to a train crash at the Once station in the city of Buenos Aires in February 2012, in which 52 people died.

There are signs that President Mauricio Macri is getting the upper hand ahead of mid-term federal congressional elections on 22 October. Macri claimed this week that when he assumed power in December 2015 the country was like “a plane heading for a crash”, and that while it had been very challenging to get it to ascend again the economy is now growing, and poverty falling. Right on cue the national statistics institute (Indec) published figures for the first half of 2017 showing a decline in poverty. Meanwhile, Cristina Fernández (2007-2015), who is seeking a senate seat in the province of Buenos Aires, accused Macri of allowing his friends in big business to “take over the state”. But her credibility was damaged by the appearance of two of her closest allies in government appearing in court this week for corruption.

Speaking in the city of Olavarría in the province of Buenos Aires, President Macri argued that his government was slowly delivering economic growth, while reining in inflation (“this tax which defrauds those who have least”), and alleviating poverty. Macri claimed that inflation would fall to one digit by 2019. Poverty stood at 28.6% (11.3m people) in the first half of 2017, Indec maintained in its latest report, down 1.7 percentage points on the 30.3% figure for the end of 2016, although indigence was slightly up on 6.2% (2.4m people) from 6.1%.

This is an important personal achievement for Macri who had stressed upon taking office that his government’s top priority was reducing poverty only to receive a painful surprise when Indec suggested poverty increased during his first six months in power to 32.2%. It is now slightly beneath the 29% poverty bequeathed to Macri by Fernández, according to data by the Universidad Católica Argentina (UCA); Indec, discredited under the Kirchnerista governments for massaging official data but revamped by Macri, had maintained that poverty in Argentina was under 5% at the end of Fernández’s term.

Macri praised the newfound independence of Indec, which he said was now producing “real figures”. He said it demonstrated that his government is “on the right track” despite the “aggression and attempts to discredit [it]”. A day earlier, while on the campaign trail, Fernández had accused Macri of allowing his “cronies” to co-opt the state, leading to an increase in food and energy prices. She also warned voters that the Macri administration was planning a “massive [economic] adjustment” straight after the congressional elections.

Fernández’s scare tactics do not appear to be working. A string of opinion polls has shown her principal opponent Esteban Bullrich, who heads the senate list for the ruling centre-right coalition Cambiemos in the province of Buenos Aires, consolidating his advantage. Worryingly for Fernández, the latest opinion poll published by M&R, which had predicted she would win the primary elections (Paso) in August by seven percentage points (she went on to win by less than half a percentage point), has Bullrich winning by 39.6% to 36.4%.

Fernández’s hopes of closing the gap suffered several blows this week, one of them self-inflicted. Her former vice-president, Amado Boudou, and federal planning minister, Julio de Vido, now a federal deputy, both appeared in court accused of corruption (*see sidebar*). Fernández, meanwhile, refused to participate in a presidential debate on 4 October with her electoral rivals on the grounds that it had been organised by a private television company rather than a university. The debate fell through as Bullrich had conditioned his own participation on Fernández taking part, although he and the other candidates took questions.

Uptick in the economy

The candidates' various pledges to kick-start the economy, which has slowed largely as a result of the fall in international commodity prices, come amid promising signs. The latest central bank (BCCh) figures show the monthly economic activity index (Imacec) was up 2.8% in July 2017 compared with the same month in 2016. The July figure was an improvement on the 1.4% year-on-year increase registered in June. In its quarterly monetary policy report, also released on 5 September, the BCCh announced it was revising up its GDP growth forecast for 2017 from 1%-1.75% to 1.25%-1.75%.

Mapuche overshadow first presidential debate

The first televised presidential debate took place ahead of the 19 November general elections for which Sebastián Piñera, former president (2010-2014) and candidate for the right-of-centre opposition coalition Chile Vamos, remains the frontrunner. While economic and social issues were up for debate, the long-running indigenous Mapuche conflict also attracted attention. This owed to mounting health concerns regarding four Mapuche activists who, imprisoned since June 2016 under the country's draconian anti-terrorism law, had been on hunger strike for over 100 days, which has since forced the left-of-centre Nueva Mayoría government to change tack.

The debate, organised by the national press association (ANP), took place on 28 September between the eight main candidates, including the three leading contenders – Piñera, Senator Alejandro Guillier (the candidate for all the Nueva Mayoría parties bar Democracia Cristiana), and journalist Beatriz Sánchez, of the radical left-wing Frente Amplio whose promising performance in opinion polls has proven somewhat short-lived. As regards the economy, the sluggish performance of which has contributed to the Nueva Mayoría's unpopularity (*see sidebar*), Piñera reiterated his promises to boost job creation through an eight-year public and private infrastructure plan, Chile Invest 2026, with a US\$20bn portfolio of projects. He is also proposing to improve salaries through revising labour legislation and promote austerity with regard to public spending.

Guillier, who looks most likely to face Piñera in a run-off if the former president fails to secure more than 50% of the vote, is pledging to improve labour conditions and create 1m new jobs. He is proposing to do this in part through doubling public investment in infrastructure and housing, from 2% to 4% of GDP, through a plan of public works which includes initiatives such as expanding the Santiago metro and improving road connectivity.

Mapuche

Forming the backdrop to the debate was the plight of four indigenous Mapuche – Alfredo Tralcali and three brothers, Ariel, Benito and Pablo Trangol – on hunger strike since 6 June. The four had been arrested in June 2016, accused of an arson attack on an evangelical church in Padre de Las Casas and held in prison under the country's anti-terrorism laws. The Mapuche issue had already made headlines in previous weeks following a revival of arson attacks attributed to the cause [[WR-17-34](#)]. At the time this led to an exchange between Guillier – who described the arson attacks as “acute violence” – and Piñera who insisted it should be called terrorism and that while there should be an economic development plan and constitutional recognition of the Mapuche, anti-terrorism laws should be applied in full. During the television debate, however, the main exchanges took place between Sánchez and the ultra conservative candidate José Antonio Kast (an independent), with Sánchez insisting that she would not apply the anti-terrorism law if elected and Kast calling for military intervention.

The day after the debate, the government announced that the four Mapuche would be dealt with by common law rather than anti-terrorism legislation, prompting them to call off the hunger strike and Chile Vamos to accuse it of weakness.

With the surveys yet to show the impact of the debate or the revelations that irregular payments linked to Piñera's 2009 electoral campaign are under investigation [[WR-17-38](#)], the latest Cadem poll released on 2 October showed Piñera on 44% of the probable vote – up six percentage points on the 7 July survey. Second, with 23%, is Guillier (up from 16% on 7 July) ahead of Sánchez, who is on 13%, down from 26% in July.

Driving development in the south

President Enrique Peña Nieto hailed “a watershed” moment for southern Mexico last week after signing a decree establishing special economic zones (ZEEs in the Spanish acronym) in several municipalities in the country’s poorest region. Peña Nieto said the ZEEs would attract private-sector investment of US\$5.3bn and create more than 12,000 new jobs over the course of the next three years.

President Peña Nieto signed a decree establishing an 8,263-hectare ZEE in the port city of Coatzacoalcos located in the south of the state of Veracruz; an 8,216-hectare ZEE in Puerto Chiapas, located in the municipality of Tapachula in the south of Mexico’s poorest state of Chiapas; and a 5,451-hectare ZEE in Lázaro Cárdenas-La Unión, the former a major port city in the south of the western state of Michoacán and the latter the capital of the contiguous municipality in the state of Guerrero.

The government revealed that decrees establishing two further ZEEs would follow shortly: the port city of Progreso in the south-eastern state of Yucatán; and Salina Cruz, a seaport in the south-western state of Oaxaca.

Peña Nieto said the north, centre, and west of Mexico was developed but the south had been “lagging behind for decades”. He said the idea behind the ZEEs was driven by the determination to provide “development and growth opportunities for the south of the country like in the rest of Mexico”. Peña Nieto acknowledged that the transformation would be “neither easy nor fast” but the key was to replace state welfare programmes, which extend economic support that “merely alleviates poverty”, with “productive investment, the formation of human capital, and education”.

Gerardo Gutiérrez Candiani, the head of the federal authority for the development of ZEEs, confidently asserted that investing in human and productive infrastructure “will allow us to strengthen the south in terms of competitiveness, investment, national and global integration, and above all, social inclusion”.

Boosting economic growth and development in southern Mexico has been the stated ambition of successive Mexican governments with little to show for their efforts. President Vicente Fox (2000-2006) set out to achieve this in 2001 with the launch of the Plan Puebla Panamá (PPP) initiative, which sought to drive growth and development by improving integration between the Mexican states of Campeche, Chiapas, Guerrero, Quintana Roo, Tabasco, Veracruz, and Yucatán, and Central America.

Despite its stated objective, the main focus of the PPP was attracting foreign investment to large-scale infrastructure projects not socio-economic development, and there is a concern that the emphasis of the ZEEs could be similar, defining success as foreign investment rather than local development. ZEEs, which will benefit from special tax regimes and incentives to attract private investment, have been far from an unqualified success around the world. They have resulted elsewhere in enclave economies which have provided few tangible benefits for local communities, such as developing local industries to link up with business within the ZEEs.

“With the effort and commitment of all those who have made this initiative a reality, I am confident that we will change the regional development model and lay the foundations for a new industrial profile for the 21st century in this region of our country.”

President Enrique Peña Nieto.

Natural disasters impact Pemex production

On 27 September Mexico's state-owned oil firm Pemex said that the hurricanes and earthquakes that affected Mexico in September substantially reduced its oil production and refining capacity. A Pemex statement said that the earthquakes damaged its main Salina Cruz refinery located in the state of Oaxaca, causing it to shut down temporarily. Meanwhile the passage of hurricanes 'Harvey' and 'Katia' through the Gulf of Mexico led to the temporary shutting down of oil rigs located off the coast of Tamaulipas and Veracruz states. However, Pemex noted that the firm is still on course to meet the daily production average target of 1.94m barrels set for this year after registering high levels of production in August.

TRACKING TRENDS

MEXICO | Growth target unaffected by reconstruction costs. The material cost of the earthquakes that struck Mexico this month will have "no impact, or very minimal impact" on GDP growth in 2017 or 2018, but it will require budgetary tweaks, the finance minister, José Antonio Meade, announced on 29 September. Official projections are for GDP growth of between 2% and 2.6% this year, and between 2.3% and 3% in 2018.

A day earlier, President Enrique Peña Nieto had revealed that the cost of the earthquake would surpass M\$38bn (US\$2.09bn), a figure which Meade said could rise as it constituted "a broad estimate". The government has already drawn M\$4.5bn (US\$248m) from the natural disaster fund (Fonden) for the first stage of reconstruction, on top of the M\$2bn already taken from the fund for the emergency phase in the immediate wake of the earthquakes. Together this amounts to around two-thirds of the funds in the Fonden.

Meade, the favourite to secure the presidential candidacy of the ruling Partido Revolucionario Institucional (PRI) in next year's elections, said that reconstruction costs would not interfere with the government's goal of reducing net debt, equivalent to 35.6% of GDP in 2016. He added that the fiscal consolidation being undertaken presently would "confer a framework of stability on the reconstruction".

MEXICO | New Pemex 'farm out' contracts. On 4 October Mexico's national hydrocarbons commission (CNH) announced the winning bids for the public tender process for three new 'farm out' contracts for oil concessions held by the state-owned oil firm Pemex.

A CNH statement said that the contract to exploit the 'Cárdenas-Mora' onshore mature field in the south-eastern state of Tabasco, has been awarded to Egypt's Cheiron Holdings Ltd, which offered an initial US\$41.5m payment; to invest US\$1.1bn in the project; and to pay 13% in royalties.

The contract to exploit the 'Ogarrio' onshore mature field, also located in Tabasco state, has been awarded to Germany's DEA Deutsche Erdoel AG, which offered an initial US\$213.9m payment; a US\$4.9bn investment; and 13% in royalties.

Meanwhile, the last contract on tender, for the 'Ayin-Batsil' shallow water bloc located in the Gulf of Mexico, was declared deserted after no bids were presented for it.

These are the second and third Pemex 'farm out' contracts awarded to private sector firms since the 2013-2014 energy sector reform that opened up Mexico's oil sector to increased private sector participation. The first Pemex 'farm out' contract, for the 'Trión' deep water bloc in the Gulf of Mexico, was awarded to Australian multinational firm BHP Billiton, back in March.

The awarding of the new contracts to Cheiron and DEA was hailed by Pemex director general José Antonio González as a big boost to help to increase Pemex's overall production levels by raising production in the Cárdenas-Mora field (which is said to contain 93.2m barrels of proven, probable, and possible [3P] oil reserves) and Ogarrio field (which is said to hold 54m barrels of 3P oil reserves) by up to 30%; and by allowing Pemex to concentrate on exploration and production efforts in other areas.

Raising Pemex production levels and making the firm more efficient and competitive were some of the objectives of the energy sector reform. In this sense, González said that the new contracts would help Pemex to advance its strategy of diversifying and optimising its portfolio and investment projects so as to increase its profitability and consolidate its finances.

Significantly, González noted that Pemex hopes to award its next 'farm out' contract during the fourth round of the current oil concessions tender scheduled to be concluded in January 2018. Pemex will be looking to award a 'farm out' contract for its Nobilis-Maximinio deep water bloc located in the Gulf of Mexico.

Spiralling violence could be here to stay**Pension reform**

The archbishop of San Salvador, José Luis Escobar Alas, expressed his “deep concern” at the recent increase in homicides in the country, and called for the government to place a greater emphasis on “prevention, reinsertion, and employment opportunities”. Alas also criticised the passage of a new pension law in the legislative assembly, with cross-party support, for “not benefiting workers” who will henceforth have to contribute 15% of their salary, up from 13% currently, to pension fund providers (AFPs). The restructuring grants the government more time to repay US\$91m owed to the AFPs, extending the terms of sovereign coupons from 25 to 30 years.

The threat of a sustained increase in violence in El Salvador after a comparative improvement over the last year is hanging in the air. The country saw its two most violent days of the year on 23 and 27 September with 40 and 34 homicides respectively. President Salvador Sánchez Cerén, chairing a meeting of the national security council (CNSCC), expressed “regret” at the “surge of homicides”, which includes a record number of members of the security forces. But if the director of the national police force (PNC), Howard Cotto, is right this could soon get a lot worse as the country’s main *mara* street gangs are apparently poised to unite to coordinate attacks on the security forces and public officials.

Since 21 September violence has increased significantly in El Salvador, with more than 300 people killed in total, a daily average of 28, triple the average for the rest of the year up until that point. Vice-President Óscar Ortiz claimed on 29 September, while attending a mass paying homage to 33 police officers killed by *mara* gang members this year, that homicides had increased because the *maras* were “desperate, and want to send a message that they can force [the government] to soften, stop, or reverse the measures in force”. This is far from the first time a government official has ventured *mara* ‘desperation’ as an explanation for a sudden increase in homicides over the last two years.

Ortiz called on all sectors of society to embrace “a shared vision to make El Salvador a safer, more peaceful country”. Three days later, on 2 October, another police officer was killed in Acajutla, a seaport in the north-western department of Sonsonate, and a soldier injured. The majority of the members of the security forces are not being killed in clashes with *maras* but in targeted killings. A soldier was killed in San Julián, Sonsonate, on 21 September, for instance, while on leave and staying in his grandmother’s house. Two days later a police officer was killed while off duty.

PNC chief Cotto attributed the homicides to score-settling between Mara Salvatrucha (MS13) and its breakaway faction MS503. But only two of the 34 people killed on 27 September were *mara* gang members. Similarly, the majority of the 71 people killed on 22 and 23 September had no links to *mara* gangs, with only 17 identified as gang members: in San Miguel and San Vicente departments nine gang members were killed in gunfights with the police. In addition to two police officers and a soldier, many ordinary citizens were killed, including a student, a farmer, a rancher, and a bus conductor. The most violent departments were San Salvador (15) and La Libertad (11).

Days earlier, Cotto released a short statement confirming the veracity of a PNC document leaked to the local press warning about the intention of the Revolucionarios and Sureños factions of Barrio 18 and MS13, traditionally bitter rivals, to cooperate with each other to coordinate attacks on the security forces, as well as targeting deputies, cabinet ministers, prosecutors, and mayors. The PNC predicted a possible union between the *mara* gangs in early 2018.

“This memorandum is bona fide,” Cotto said in a press conference on 26 September. The document was sent to all PNC commanders. It urged them to “activate all prevention, intelligence, investigation, and operative resources immediately to detect, capture, and disband local terrorist cells”. The resulting crackdown and *mara* retaliation will produce a further increase in violence.

Morales faces another threat of legal action

Less than a month after the attorney general's office (AG) and the United Nations-backed International Commission against Impunity in Guatemala (Cicig) requested that President Jimmy Morales be investigated for illegal campaign finance, he is facing the threat of fresh legal action. Last week the AG presented the supreme court (CSJ) (which authorised the previous request, subsequently rejected by the legislature) with another request, this time in relation to a bonus that Morales received from the military which is not officially part of his salary package. The call, which has subjected Morales' links to the military to fresh scrutiny, comes as the opposition and civil-society groups are flagging up concerns about increasing responsibilities taken on by the defence ministry at the expense of other ministerial departments.

The case involving the previously unknown monthly Q50,000 (US\$6,859) 'bonus for extraordinary responsibility' paid to President Morales by the armed forces, first came to light on 12 September, when the comptroller general's office revealed that it had requested information about it. At the time Defence Minister Williams Mansilla, who has since gone into retirement (*see sidebar*), told reporters that Morales had received the payment since December 2016, in recognition of the "risks" that he faced in his post. Morales's three predecessors, Otto Pérez Molina (2012-2015) – himself forced to step down in 2015 over corruption – Alvaro Colom (2008-2012), and Oscar Berger (2004-2008), all told the local media that they had never received such a bonus.

Morales's military links have long attracted attention: the ruling Frente de Convergencia Nacional (FCN-Nación) was first set up as the military veterans' association (Avemilgua) in 2004 before adopting its present name in 2008. On 27 September AG Thelma Aldana presented her request to the CSJ with regard to the bonus. Her request was in line with a complaint filed by the prominent human rights NGO Grupo de Apoyo Mutuo (GAM). Aldana told reporters that there appeared to be no legal basis for Morales – who has since returned the money – to receive the bonus. She also told reporters that it was too early to speak of any specific crime but investigations were necessary. The same day, the comptroller general's office also revealed that it had filed a complaint before the AG against Mansilla for having authorised the bonus in the first place, citing abuse of authority and negligence of duties.

Other concerns regarding the military

The renewed focus on the links between the executive and defence ministry come as the political opposition and civil-society groups such as international NGO Transparency International (TI)'s local branch Acción Ciudadana (AC), have been raising concerns about the defence ministry assuming additional responsibilities. A report published on 29 September by the national daily *Prensa Libre* claims that, through the army corps of engineers, the defence ministry has allocated more than Q115m (US\$15.6m) so far this year for machinery and equipment aimed at improving the country's road infrastructure.

The same report cites a national deputy for the small opposition party Encuentro por Guatemala (EG), Dorian Taracena, as pointing out that road infrastructure maintenance is the responsibility of the communications, infrastructure & housing ministry (Micivi), while constitutionally the military's function is to guard the country's borders and sovereignty. Meanwhile, AC representative Marvin Flores warned that such "presidential decisions, of putting the military in charge of carrying out tasks which are not its responsibility, only contribute to deforming public administration".

New defence minister

Since the comptroller general's office announced plans to file the complaint against General Williams Mansilla, he has gone into retirement although this was in line with procedure. One of the few members of President Morales's cabinet to have served under the previous administration of Otto Pérez Molina, Mansilla was replaced on 2 October by General Luis Miguel Ralda Moreno who was serving as the head of the army corps of engineers.

POSTSCRIPT

Quotes of the week

“The previous president aggressively indebted [Ecuador] towards the end of his term to give the impression that he had made monumental public improvements and I am seriously wondering whether he left things like that for me precisely so that I would fail and he could become the main opponent of my government.”

Ecuador's President Lenín Moreno on his predecessor Rafael Correa.

“Argentina needs to be in a permanent state of reform for many years...Kirchnerismo is the past...Peronism will have to go through an enormous internal reform.”

Argentina's President Mauricio Macri.

“@realDonaldTrump another given Sunday: instigating and provoking war? You better learn diplomacy instead of using the 280 characters.”

Mexico's former president Vicente Fox.

Costa Rican presidential candidates to go to jail

Costa Rica's presidential candidates will participate in a debate inside a prison on 2 November ahead of general elections on 4 February, the ministry of justice and peace revealed this week. So far 11 presidential candidates have registered to compete in the general elections when the 57-seat legislative assembly will also be renewed.

The unprecedented debate will take place within the confines of the Unidad de Atención Integral Reinaldo Villalobos prison, located in San Rafael in the province of Alajuela, 25km west of the capital San José. The objective of the debate, according to a statement released by the ministry of justice and peace, is to “construct forms of inclusive participation for segments of the population historically excluded from the exercise of their rights and citizenship”.

The inmates of six prisons will participate in a consultation process to select the questions that will be put to the presidential candidates in the debate. One of these is likely to be prison overcrowding, which has become an especially controversial issue under the government led by President Luis Guillermo Solís, which has introduced alternative measures to deal with the problem, such as conditional freedom and the use of electronic tagging. The debate will be broadcast live on the local television channel Canal 13 and the Universidad de Costa Rica's Canal 15.

Antonio Álvarez Desanti, the presidential candidate of the main opposition Partido Liberación Nacional (PLN), is the favourite to win election given the party's effective electoral machine. His principal opponent is likely to be Rodolfo Piza, of the PLN's traditional rival, the Partido Unidad Social Cristiana (PUSC). There has been a dearth of opinion polls, however, and the most recent survey, published in late September by Cid-Gallup, showed that the most highly regarded candidate running for the presidency is Juan Diego Castro of the small Partido Integración Nacional (PIN), followed by Carlos Alvarado of the ruling Partido Acción Ciudadana (PAC). The left-wing Frente Amplio (FA) confirmed Deputy Edgardo Araya as its presidential candidate last week.

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