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Venezuela's MUD outfoxed and out of ideas

The blistering victory of the ruling Partido Socialista Unido de Venezuela (PSUV) in regional elections on 15 October came as little surprise to most – with the exception of the stunned opposition Mesa de la Unidad Democrática (MUD) coalition, which took a full day to respond, and then only feebly. The MUD in its current form looks to be in its final throes. Its refusal to accept the election results and acknowledge the all-powerful new constituent assembly means it has been completely marginalised from domestic politics as currently constituted. It has also effectively ruled itself out of any further participation in externally mediated dialogue efforts.

Venezuela's beleaguered MUD received a pummeling at the hands of the PSUV when regional elections were last held in Venezuela in December 2012. The PSUV swept 20 of the country's 23 states back then, when the declining health of then-president Hugo Chávez (1999-2013) dominated the campaign. The PSUV did not quite repeat the feat this time around but it did win 18 state governorships in what were by a distance the most successful elections for the party since Nicolás Maduro succeeded Chávez in 2013.

The regional elections were rigged in advance. As we noted last week, the government-controlled national electoral council (CNE) has worked assiduously, over many years now, to tilt the electoral playing field heavily in favour of the PSUV. The very nature of this constant gerrymandering and tampering with electoral rules and regulations makes it almost impossible to counter, and it leaves the opposition constantly on the back foot, scrambling to react and respond.

It is also a game of cat and mouse. For instance, one of the tactics used by the Nicaraguan electoral experts reportedly used by the PSUV this year – known as 'El Ratón' – is to move the location of polling stations, preferably into pro-government areas, which is exactly what the CNE did just days before the polls. These 'below-the-radar' tactics – not to mention the unfair media access and government intimidation (and/or tacit bribery) of public sector workers and ordinary supporters – mean that there is no need for the ruling party to resort to crude measures like ballot-box stuffing or outright vote tampering.

As commentator Francisco Toro of the blog *Caracas Chronicles* noted, "the government cheated, but it also won: deploying the full range of dirty tricks to suppress opposition voters and turn out its own supporters (and employees) is enough". A poor turnout by MUD supporters was also critical, and this seems to have delivered the result – which may have surprised even the government itself.

Turnout was just 61% compared with 74% when the MUD won a majority in the national assembly in the 2015 legislative elections. Millions of people who had turned out to vote for the MUD in the past stayed at home. That was especially the case in urban areas, led by the capital Caracas and the surrounding state of Miranda.

Veneagua

Notwithstanding the monikers of 'Venecuba' and 'Cubazuela', Venezuela is perhaps more comparable to Nicaragua, which maintains a thin veneer of democracy, heavily managed from the centre and intensively engineered to ensure the permanence in power of the ruling cadre.

In a bitter blow to the MUD, Carlos Ocariz, the candidate to succeed Henrique Capriles Radonski as state governor, lost to Héctor Rodríguez, brother of Jorge Rodríguez, a senior PSUV leader and mayor of the main Caracas municipality of Libertador who also happens to be the party's – very successful – electoral tactician. Miranda had been in the MUD's hands, under Capriles, since 2008.

Ocariz has alleged fraud – but appears unable to prove it – while Capriles has been uncharacteristically quiet. Some opposition commentators have also made the point that local residents lodged protests at local issues – including the deteriorating living conditions, transport chaos, and rising insecurity in populous Miranda. So while there is anger at President Maduro, there is also anger at local authorities in urban areas most afflicted by crime, violence, and the recent political and civil unrest.

On the other hand, the opposition did manage to win five governorships: Zulia, Venezuela's most populous state; Táchira; Nueva Esparta; Mérida; and Anzoátegui. Of these, Táchira and Nueva Esparta are traditional opposition bastions which had, nonetheless, been lost in 2012. As Toro observed, "Venezuelan elections aren't free and they're certainly not fair, but they are competitive". As such, "the resulting optics are just democratic enough...From Maduro's point of view, it's the best of both worlds: a real election win in a fake democracy".

In this context, the demands of the US, Canada, the European Union (EU), Colombia, and Peru for a thorough audit of the results are unlikely to achieve much. The CNE and the PSUV covered their tracks in advance: tangible evidence of widespread fraud is not likely to materialise.

Maduro has now hinted that the pending municipal elections due in December will be held swiftly – allowing the PSUV to take advantage of the MUD's implosion. Beyond that, there are serious questions about the Venezuelan opposition's political ability to contest the presidential election, technically due by December 2018.

While Spain and France are pressing the EU to impose sanctions, which would deepen Venezuela's international pariah status, a debt-restructuring deal with Russia is close to signature, according to comments by the Russian finance minister, which would give Maduro critical financial breathing space. Rising oil price futures also suggest some respite.

Where the PSUV could take another useful lesson is from Nicaragua. President Daniel Ortega's democratic credentials might be as tarnished as Maduro's but his quietly pragmatic economic policies and US investor-friendly frameworks have underpinned real annual GDP growth of 4.6% since 2012. Maduro, however, appears ideologically committed to the 'Cubanisation' of the Venezuelan economy.

Given the MUD's travails, moving forward, credible political challenges to the incumbent administration may only come from within the PSUV and/or the military; albeit the ironclad grip exerted over both from the top suggests that internal dissent – and future elections and leadership changes – will all be tightly controlled.

It is noteworthy that the military wing of the PSUV lost some ground in the regional elections. Former military men won 11 of the 20 state governorships secured by the PSUV in 2012. This time they won seven of the PSUV's 18 state governorships.

Four of these seven former military men are under US sanction: Carmen Meléndez, who defeated Henri Falcón in Lara (one of the three states won by the MUD in 2012); Rodolfo Marco Torres, who won in Aragua; Justo Noguera Pietri, who narrowly won in Bolívar; and Henry Rangel Silva, who held on to Trujillo. Rangel Silva was parachuted in at the eleventh-hour in 2012 but won an emphatic victory with 82% of the vote. Rangel only managed to win 59% this time around.

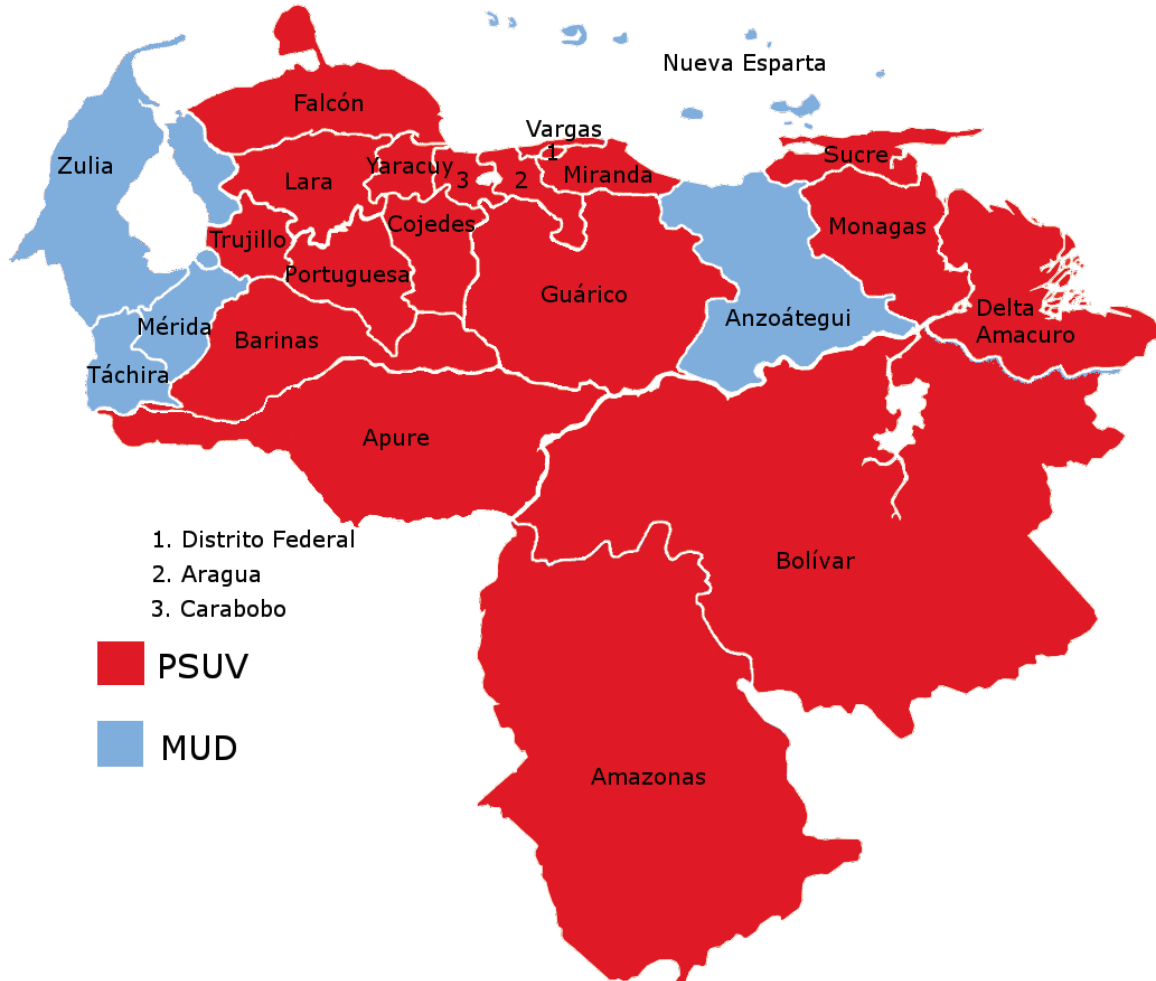
Bond payments

Venezuelan bond prices are at new highs as investors get more confident that the sovereign and the state oil company Pdvsa will pay the upcoming US\$3.5bn in external bond debt commitments in full and on time. However, some concerns linger about an ‘accidental default’ should Venezuelan funds have trouble making their way, in timely fashion, through the various international financial channels – amid the ‘unintended consequences’ and complications arising from the US sanctions.

Unusually, the upcoming payments have no grace period attached, meaning that there is no margin of error for the Venezuelan authorities. In November 2016, for example, Venezuela used some of a 30-day grace period to negotiate a financial deal with Russia’s Rosneft that allowed it to meet its debt commitments.

STATE ELECTIONS: Winner, party, votes, %, *under US sanction

1	Amazonas	13	Mérida
	Miguel Rodríguez (PSUV): 35,536 (59.85%)		Ramón Guevara (MUD): 192,852 votes (51.05%)
2	Anzoátegui	14	Miranda
	Antonio Barreto Sira (MUD): 343,445 (52.01%)		Héctor Rodríguez (PSUV): 622,226 votes (52.54%)
3	Apure	15	Monagas
	Ramón Carrizalez (PSUV): 97,896 (51.92%)		Yelitze Santaella (PSUV): 216,709 (53.94%)
4	Aragua	16	Nueva Esparta
	Rodolfo Marco Torres* (PSUV): 414,075 (56.83%)		Alfredo Díaz (MUD): 116,574 (51.81%)
5	Barinas	17	Portuguesa
	Argenis Chávez (PSUV): 176,291 (52.88%)		Rafael Calles (PSUV): 223,449 (64.24%)
6	Bolívar	18	Sucre
	Justo Noguera Pietri* (PSUV): 276,655 (49.09%)		Edwin Rojas (PSUV): 216,410 (59.89%)
7	Carabobo	19	Táchira
	Rafael Lacava (PSUV): 452,081 votes (51.96%)		Laidy Gómez (MUD): 319,403 (63.29%)
8	Cojedes	20	Trujillo
	Margaud Godoy (PSUV): 91,691 (55.48%)		Henry Rangel Silva* (PSUV): 196,677 (59.09%)
9	Delta Amacuro	21	Vargas
	Lizeta Hernández (PSUV): 42,928 (58.78%)		Jorge Luis García Carneiro (PSUV): 87,939 (52.35%)
10	Falcón	22	Yaracuy
	Victor Clark (PSUV): 208,745 (51.86%)		Julio León Heredia (PSUV): 170,866 (61.88%)
11	Guárico	23	Zulia
	José Vásquez (PSUV): 195,071 (61.68%)		Juan Pablo Guanipa (MUD): 691,547 (51.06%)
12	Lara		
	Carmen Meléndez* (PSUV): 444,976 (57.65%)		



Aráoz and Fujimori coast through**Airport construction**

Prime Minister Aráoz maintained that every important city in Peru would have an airport in time for the 2021 bicentenary of the country's independence: Huánuco, the capital of the eponymous central region, and Tingo María in the same region; Chimbote in the north-western region of Ancash; Yurimaguas, a port in the northernmost region of Loreto; Rioja, in the contiguous region of San Martín; Jaén (Cajamarca); Jauja (Junín); Ilo (Moquegua); and, in the southern region of Cusco, Chinchero, which has been the cause of significant controversy [\[WR-17-39\]](#).

Prime Minister Mercedes Aráoz won a vote of confidence on 12 October in Peru's opposition-controlled congress. She was not the only female political figurehead to make a potentially career-defining appearance before congress. The very next day it was the turn of Keiko Fujimori, the leader of the dominant opposition party Fuerza Popular (FP, Fujimoristas), whose votes were essential for Aráoz. Fujimori was summoned to testify before a congressional commission investigating the impact on Peru of Brazil's continent-wide bribery scandal.

In total Aráoz received the backing of 83 deputies in the 130-seat congress from FP, Alianza para el Progreso (APP), Acción Popular (AP), and President Pedro Pablo Kuczynski's Peruanos por el Cambio (PPK). Just 17 deputies, from the left-wing Frente Amplio (FA) and Nuevo Perú, refused to grant her a vote of confidence.

Aráoz, accompanied by her cabinet, made a series of promises during a two-hour address to congress, including to spearhead a "social revolution" and redouble the fight against corruption in conjunction with the comptroller general's office. Aráoz also said she would request that congress grant the government legislative powers to decree on the economy (again) and risk prevention, specifically in relation to the El Niño climatic phenomenon. Her predecessor, Fernando Zavala, was granted more extensive legislative powers soon after Kuczynski took office.

Aráoz predicted that GDP growth would take off in 2018, reaching 4%, driven by an improved external environment and a public investment boost, after three years of decline, due in part to the Pan-American Games hosted by Peru in 2019. Aráoz also announced a bidding process for five mining projects in the coming months which she said would attract US\$10bn of investment: Quellaveco, a large copper mine in the south-western region of Moquegua; Corani, one of the largest silver mines in the world located in the south-eastern region of Puno; Michiquillay, a porphyry copper deposit with gold and silver content located in the north-western region of Cajamarca; the expansion of the Toromocho copper mine in the central region of Junín (China's largest overseas copper project); and Mina Justa, an open-pit copper oxide mine in the western region of Ica.

Aráoz said the projects all fitted within the profile of "high-quality modern mining". She expressed confidence that the investment would be forthcoming despite the weakness of the market. She made no mention of how the Kuczynski administration intended to stave off social conflicts (which dogged the previous government), such as accords with affected local communities.

Aráoz culminated her address by calling for an end to the political confrontation which has characterised relations between the executive and legislature. This will depend entirely upon whether Fujimori ordains that the FP should provide more constructive opposition. For her part, the day after Aráoz, Fujimori made a brief appearance before a congressional commission chaired by the FP. She received an easy ride. She denied receiving any money from the Brazilian construction firm Odebrecht, or any other Brazilian firm, to fund presidential election campaigns in 2011 or 2016. She also denied meeting Marcelo Odebrecht, the company's former chief executive upon whose mobile phone a text reading 'Raise Keiko to 500 and prepare visit' was found. She admitted meeting Jorge Barata, the former director of Odebrecht in Peru, while presenting her 2011 plan of governance to Brazilian businessmen, but (pointedly) never in private.

Left slams Vargas Lleras

After former vice president Germán Vargas Lleras publicly voiced his concerns about the transitional justice system to be applied to demobilised Farc guerrillas, he was vilified by members of leftist opposition parties in the national senate. During a highly charged debate about government corruption, Polo Democrático Alternativo Senator Jorge Robledo accused Vargas Lleras of having links to right-wing paramilitary groups and of receiving illicit campaign financing from these in the 2010 election campaign. Meanwhile Alianza Verde Senator Claudia López, who is also a presidential hopeful, said that Vargas Lleras's presidential campaign was "failing" and that was why he was now criticising the Farc peace deal that he openly backed while vice president.

Vargas Lleras takes aim at JEP

Colombia's former vice president and current presidential hopeful, Germán Vargas Lleras (2014-May 2017), has publicly voiced his concerns about the transitional justice system (JEP) that is to be applied to the demobilised Fuerzas Armadas Revolucionarias de Colombia (Farc) under the peace accord signed last year with the government led by President Juan Manuel Santos. Vargas Lleras is considered to be one of the contenders to win the May 2018 presidential election and his criticisms of the JEP look like an attempt to mark a clear break with the Santos administration in order to appeal to wider sections of the electorate. But this raises questions about Vargas Lleras's commitment to honouring the peace accord reached with the Farc should he win election.

Vargas Lleras is the leader of the Cambio Radical (CR) party, who rather than simply securing his party's presidential nomination decided, like many other presidential hopefuls, to try to register as an independent candidate instead. He is currently touring the country collecting the necessary signatures to register as an independent candidate and at the same time drum up electoral support. As part of this he has decided to ramp up his campaigning by publicly voicing his concerns about the JEP for the first time during an interview on 17 September.

Speaking to *Caracol Radio*, Vargas Lleras said that his main concerns about the JEP focused on the fact that this appears to be applicable to far too many individuals provided that they can show the most tenuous connection between the crime that they are accused of committing and the internal armed conflict. "I never understood, and still don't understand why a transitional justice system will now be applicable to...[all] Colombians," Vargas Lleras said, noting that originally the idea was that this would only be applied to former guerrillas and members of the military involved in the armed conflict.

In recent weeks it has been revealed that the names of some wanted drug traffickers with no apparent links to the Farc appeared on the list of individuals eligible to be tried under the JEP provided by the Farc. The scandal produced outrage that the JEP could be easily exploited by savvy criminals. Vargas Lleras was clearly playing to these concerns and suggesting that his prospective government would tighten the JEP eligibility criteria.

But Vargas Lleras went further and criticised some of the benefits offered to former guerrillas tried under the JEP. He complained that some Farc members "will not have to spend a single day in prison" for crimes committed. He also criticised the possibility that under the peace accord they will be allowed to take part in next year's legislative and presidential elections (and potentially obtain immunity from prosecution if elected) without having to "go through the JEP first" to clear up any crimes they may have committed. Vargas Lleras insisted that he had repeatedly expressed all these concerns about the JEP "while in government" but perhaps not in such detail.

Vargas Lleras did acknowledge that the legislative package that will formally establish the JEP is currently being debated by the national congress and that he was not familiar "with the text in detail". But he insisted that many of these concerns have not been properly addressed and that is why CR has announced that it will not vote in favour of the JEP in congress. Santos took to *Twitter* to offer a pointed response: "I shared the concerns about the JEP with my loyal and good friend Germán Vargas Lleras. His problem is that all those [concerns] have now been resolved". However, Vargas Lleras's remarks have fuelled speculation that, if elected, his government would seek to introduce changes not just to the JEP but to other aspects of the peace deal, which may not be accepted by the Farc.

Tensions rise over re-election

A justice of the plurinational constitutional court (TCP), Mirtha Camacho, called for calm this week as the body considers an appeal presented by the ruling Movimiento al Socialismo (MAS) to amend the 2009 constitution to allow President Evo Morales to seek re-election in 2019 for a fourth consecutive term. Camacho's call follows protests which took place on 10 October in five of the country's nine provincial capitals, timed to coincide with the 35th anniversary of Bolivia's return to democracy. This was the second time this year that such unrest had taken place after protests were staged on the anniversary of the 2016 February public referendum on whether to change the constitution, which had delivered a surprise defeat for Morales. With MAS supporters also pledging to take to the streets in support of his re-election bid, tensions look set to rise.

Addressing journalists on 16 October in Sucre, Chuquisaca's capital and the site of the TCP, Camacho urged calm, noting that the court has 45 days in which to rule on the MAS's appeal against the current limits on re-election [[WR-17-38](#)], which was presented in September. Article 168 of the constitution allows both the president and vice-president to stand for a single consecutive re-election. First elected in 2005 and then again in 2009, Morales was allowed to stand again in October 2014 on the grounds that this was his first re-election under the new constitution. In its case filed last month, the MAS is using the same argument as has been previously used in Costa Rica, Nicaragua, and, most recently Honduras – that the prohibition on re-election is at odds with the human right to be elected.

That Morales's insistence on running despite the referendum (which he lost by 48.70%-51.30%) remains contentious was suggested in the turnout on 10 October where thousands took to the streets in La Paz, Santa Cruz, Cochabamba, Potosí, and Oruro (all capitals of their eponymous departments). Those present included well-known opposition figures such as former president Carlos Mesa (2003-2005); Samuel Doria Medina, the leader of the opposition party Unidad Nacional as well as the mayor of La Paz; and Luis Revilla, president of the left-wing opposition Soberanía y Libertad para Bolivia (Sol.bo) movement.

This polarisation looks set to continue. Supporters of the MAS have since announced plans to stage pro-Morales marches in response, with groups such as Federación de Juntas Vecinales de El Alto announcing demonstrations on another historic date – 17 October. This is the anniversary of the resignation of former president Gonzalo Sánchez de Lozada (1993-1997, 2002-2003) following 'Black October', the 2003 army clampdown which left 67 dead and hundreds injured; Sánchez de Lozada is currently in the US and stands accused in Bolivia of genocide. Another core plank of Morales's support base, the Seis Federaciones del Trópico de Cochabamba, an organisation comprising cocaleros (coca producers), from his home turf of Chapare, Cochabamba department, has announced further marches scheduled for 26 October.

Another source of discontent

The day before the street protests calling for the result of the referendum to be respected, the police dispersed hundreds of cocaleros from Los Yungas area (La Paz department) upset about the change in limits imposed on legal coca cultivation which were introduced by a new law promulgated in March 2017. The changes increased the total coca production area permitted in Bolivia from 12,000 hectares (ha), in legislation introduced in 1988, to 22,000ha (of which 14,300ha is permitted in the Yungas and 7,700ha in the Chapare, where coca cultivation became legal in 2004). However, the Yungas cocaleros fear that the changes may lower the legal domestic price for coca leaf, and they consider it a political move by President Morales to reward his supporters in the Chapare.

TCP concerns

The renewed attention on the seven-member TCP comes as it is due to be re-elected in December's national public elections which are also being staged for the supreme court (TSJ), council of magistrates, and the environmental court (TA). This is the second popular vote of its kind, after elections held in 2011. The local daily *el Deber* reported on 16 October that in six years of operations, a total of 65 complaints have been filed against the seven TCP judges, citing a report by the attorney general's office.

Explosive end to electoral campaign

Just five days before Argentina's much-anticipated mid-term federal congressional elections on 22 October a body was discovered in a river in the southern province of Chubut. It was found very close to where the pro-Mapuche activist Santiago Maldonado was last seen 77 days ago. On the same day a federal judge ordered that the federal lower chamber of congress strip Deputy Julio de Vido of his immunity from prosecution to face investigation for corruption, and that he should subsequently be placed under preventive detention. De Vido was the most powerful figure in the cabinet under the three Kirchnerista governments (2003-2015), serving for 12 years as planning minister. Both developments have the potential to influence the electoral outcome this weekend.

Maldonado disappeared on 1 August after violent clashes between pro-Mapuche protesters and members of the national gendarmerie (GNA) in Chubut. In a country where 'disappearances' are such an emotive issue, the Maldonado case had acquired dimensions that threatened to jeopardise the chances of the ruling centre-right Cambiemos coalition securing an electoral triumph for President Mauricio Macri in the congressional mid-terms.

The discovery of the body brings the Maldonado case back to the forefront of public attention which is where former president Cristina Fernández (2007-2015), who is running for a seat in the federal senate representing the all-important province of Buenos Aires, had sought to keep it. Fernández has supported several large demonstrations held for Maldonado. It served the purposes of Kirchnerismo to jump on the Maldonado case, and to try and link it to enforced disappearances, to fit into its narrative that the Macri administration lacks respect for human rights.

The body was found face down near the riverbank very close to where the clashes between the pro-Mapuche activists and GNA took place. This part of the river had been swept three times, most recently on 18 September, before divers from the naval prefecture, assisted by specially trained dogs, eventually found the body. The naval prefecture had recommended a further search due to profuse vegetation in the area (*see sidebar*).

Macri ordered that Cambiemos suspend its closing electoral campaign and that cabinet ministers keep a prudent silence until the body could be formally identified as that of Maldonado. This is likely to be just a matter of time. Maldonado's ID was found in a pocket on the body, which is being flown to Buenos Aires for an autopsy to begin as we go to press. Maldonado's brother, Sergio, refused to leave the body for a minute for fear that it would be tampered with.

"It is very strange that [the body] was found there. We passed this area and there was nothing," Sergio Maldonado said in a press conference. The family lawyer also expressed surprise that the body had turned up "in an area that had been swept three times". A Mapuche spokesman, Soraya Maicoño, insisted that "two or three days ago the body was definitely not there".

The political opposition and Maldonado's family believe that he was kidnapped by the GNA, which the family now thinks hid the body before "planting" it in the river this week. An autopsy ought to clarify this, as well as establishing whether Maldonado sustained any blows before falling into the water. Maldonado could not swim so accidental drowning is far from inconceivable.

Body

While the river in Chubut is not especially fast-flowing in the area where the body was found, there are lots of overhanging willow branches and roots. These could have prevented a body from drifting downstream.

Court appearance

Federal Judge

Claudio Bonadio

summoned former

president Cristina

Fernández to appear

in court after the

mid-term elections in

connection with her

government's alleged

cover-up of the

suspected

involvement of Iranian

government officials

in the 1994 bombing

of the Asociación

Mutual Israelita

Argentina (Amia)

community centre in

Buenos Aires.

De Vido's fall from grace

After the news that the body had been discovered, there was apparently a sombre silence in the Casa Rosada presidential palace, where just hours beforehand there had been celebrations as a result of the fall of De Vido. It was, in Macri's words, "a week with special and particularly complex situations".

A federal judge ordered that the federal lower chamber of congress strip De Vido of his immunity from prosecution to face investigation over the alleged diversion of Ar\$265m (US\$15.2m) of public funds meant for investment in the Río Turbio coal mine in the Patagonian province of Santa Cruz, especially infrastructure development in the local community. De Vido was also accused of using his position as president of the lower chamber's energy commission to cover up wrongdoing related to Río Turbio.

Fernández wasted no time in condemning the judicial ruling against De Vido. Minutes afterwards, she gave an interview in which she reiterated her claim that the government is using the judiciary to derail her electoral campaign. "There is a very clear judicial timetable running parallel to the electoral calendar," Fernández said. "The government is manipulating and using the judiciary as a task force," she added, while claiming that the move against De Vido was clearly designed to be the central act of the Cambiemos campaign.

Fernández made a similar claim a week earlier during a press conference in the headquarters of Instituto Patria, the think tank in the city of Buenos Aires, shortly after Federal Judge Claudio Bonadio summoned her to appear in court directly after the elections (*see sidebar*).

CHILE | POLITICS

Piñera ratchets up attacks on opponents

With just one month to go until Chilean voters go to the polls, the cut and thrust of political debate moved to a new level. The frontrunner in the presidential race, former president Sebastián Piñera (2010-2014), launched a scathing attack on President Michelle Bachelet and the ruling left-wing Nueva Mayoría coalition. Piñera said some of Bachelet's emblematic reforms would need to be revised, claiming that "she has governed for the United Nations elite rather than ordinary Chileans", while accusing the Left of thinking that "it alone can govern legitimately". Several Nueva Mayoría deputies fired back rejoinders, but the coalition was sidetracked by internal problems this week.

Piñera, who is running for the right-of-centre coalition Chile Vamos, said that if he returns to power next year his government will need to revise the Bachelet administration's tax, labour, and education reforms. A survey by Cadem this week gave Piñera 43% of the vote. While this is down two percentage points on the previous poll he retains a commanding lead over the Nueva Mayoría's Alejandro Guillier, on 20% (down one point), and Beatriz Sánchez of the more radical leftist Frente Amplio (FA) on 13% (up one point). The independent candidate, José Antonio Kast, polled 5%, with Carolina Goic, of the centre-left Democracia Cristiana (DC), and Marco Enríquez-Ominami, the leader of the left-leaning Partido Progresista (PRO), both up one point on 4%.

The poll's findings would suggest that if support for Sánchez, Goic, and Enríquez-Ominami transferred to Guillier in a potential second round scenario he could give Piñera a run for his money. But it is far from clear that support would transfer to Guillier en masse. Indeed, the Cadem poll suggested that Piñera would defeat Guillier by 51%-36% (and Sánchez by 53%-33%) in a second round scenario.

Constitutional rush

The government said that the consultation with indigenous representatives was the primary reason for the delay in presenting the constitutional reform to congress. Time is not on the government's side. President Bachelet is only in office for another five months. Much of that will be taken up by campaigning for presidential and legislative elections on 19 November and a possible second round in December.

Deputy Rabindranath Quinteros, of Bachelet's Partido Socialista (PS), accused Piñera of "an almost pathological envy...because he wanted to be recognised for positive leadership at the international level". His colleague Osvaldo Andrade accused Piñera of wanting to "tear down [the Bachelet administration's] social advances", such as free higher education and social housing.

Intriguingly, it was the vice-president of the DC, Matías Walker, who delivered the most cutting response, saying that reasonable politicians eschewed "the polarisation which Piñera wants; he is confusing the year 2017 with 1970". That this criticism should have come from Walker was eye-catching given the root cause of the tension this week between the Nueva Mayoría and the DC, which remains part of the ruling coalition but is fielding its own presidential candidate in Goic.

The DC is debating whether to allow members a free vote in the event of a second round run-off between Piñera and Guillier. There is concern within the Nueva Mayoría that this will encourage some DC supporters to vote for Piñera. The DC leadership will confirm its stance on the matter on 23 October.

Indigenous debate constitutional reform

One of Bachelet's policies of which Piñera has been especially critical relates to the longstanding conflict with the Mapuche. He has accused her of being "weak" and unable to stand up to "radical and criminal" Mapuche groups. An annual report published by the Universidad Diego Portales this week, however, contended that the anti-terrorism legislation which successive Chilean governments have employed to prosecute radical Mapuche activists has been counterproductive. It argued that the government needed to be employing more inclusive policies with the Mapuche.

This is precisely what the government sought to do this week when Bachelet formally inaugurated a four-day consultation with representatives of Chile's indigenous communities, which is scheduled to conclude as we go to press. A total of 139 delegates of nine indigenous groups are participating in the consultation to discuss changes they would like to see introduced to the constitutional reform bill the Bachelet administration is hoping to send to congress imminently.

The consultation follows an indigenous constituent participative process in which some 17,000 people took part between May and December 2016. The overwhelming majority (67.6%) of the 139 indigenous delegates represented in the consultation are Mapuche, with the rest comprising Aimara, Atacameño, Quechua, Diaguita, Colla, Rapanui, Kawésqar, and Yagán.

María Hueichaqueo, the presidential delegate on indigenous matters, said there was broad unity between all the indigenous peoples in favour of a plurinational country with autonomy, self-determination, recognition of linguistic rights, and political participation and representation.

Marcial Colín, the president of the leadership council of the national indigenous development corporation (Conadi), concurred: "This consultation is the last opportunity that we are being given to speak to the state; the constitution must say that Chile is a community of nations organised in a plurinational state which is at once democratic, participative, and intercultural."

But there are serious disagreements over the precise wording of the constitutional reform, especially over territorial matters. "Recognition of the pre-existence of [indigenous] peoples is not enough, nor special indigenous territories as proposed by the government," Juan Carlos Reinao, president of the association of municipalities with a Mapuche mayor (Amcam), said. "Without historical recognition [to ancestral land ownership] this will not suffice for reconciliation...[and risks] legitimising the existing problem".

The establishment bites back

Two key votes, in the federal senate and in a commission of the lower chamber, indicate that Brazil's political establishment is closing ranks against a multitude of corruption probes. The votes also increase the likelihood that President Michel Temer, despite having historically low popularity ratings, will soldier on and complete the remaining 14 months of his term in office.

On 17 October, the senate voted 44-26 in favour of reinstating Aécio Neves, a leading member of the Partido da Social Democracia Brasileira (PSDB); Neves had been suspended back in May on the orders of a supreme court justice. The very next day, on 18 October, the constitution and justice commission (CCJ) of the chamber of deputies voted 39-26 to shelve the latest corruption charges against President Temer and two of his cabinet ministers. Temer is a member of the Partido do Movimento Democrático Brasileiro (PMDB).

The full chamber will vote on the matter on 25 October and is not necessarily bound by the commission's earlier recommendation. However, the most probable outcome is that a majority will opt not to lift Temer's immunity from prosecution.

The two votes are related. The PMDB and the PSDB are the two key allies in the multi-party coalition that supports Temer's government. While not explicitly stated, it is clear that PSDB support for Temer was given partly in exchange for PMDB support for Neves (*see sidebar*).

With up to one-third of the current members of congress facing allegations of improprieties, the legislature also has a vested interest in putting the brakes on corruption investigations. Many deputies and senators are eager to get re-elected next year, not least because that would prolong their (relative) immunity from prosecution.

It looks as if Neves, having died a political death, may enjoy a degree of resuscitation. He had been accused of accepting bribes, including a R\$630,000 (US\$197,000) payment from the now-notorious meat-packing company JBS. Neves did not deny he received the money but insisted it was not a bribe – only a personal loan.

Neves was indicted by the public prosecutor and in May a supreme court justice ruled that he be suspended from the senate and placed under a limited form of house arrest. The move, however, led to a legal dispute about the correct relationship between the judiciary and the legislature. The senate ultimately won the argument, asserting that only it could decide on the fate of its members. To reach a binding decision a majority of at least 41 votes was needed: in the end Neves was reinstated with a total of 44 – a margin of three. As a result, he regains his immunity.

Hot on the heels of this decision came the CCJ vote. Deputies on the commission voted to shelve the charges against Temer and his ministers Eliseu Padilha (chief of the civil household) and Moreira Franco (secretary-general of the presidency). The charges, based on testimony from JBS executive Joesley Batista and financier Lúcio Funaro, were that the three men had received bribes totalling R\$587m (US\$184m) from a range of state enterprises, including oil company Petrobras and bank Caixa Econômica.

Temer also faced a separate charge of obstruction of justice, for alleged complicity in buying the silence of disgraced (and now imprisoned) former

Temer and Neves
Both President Temer and the PSDB's Aécio Neves represent the Brazilian political establishment, schooled in a long history of negotiation and deal making, and, in the eyes of their critics, practitioners of pork barrel politics and corruption.

Weak evidence?

Lawyers for President Temer and two of his cabinet ministers argued that the charges (made by the office of the public prosecutor – Procuradoria-Geral da República or PGR) were “arbitrary” and part of a political agenda. They have also cited legal problems with Joesley Batista’s plea bargaining evidence.

speaker of the lower chamber, Eduardo Cunha. In his report CCJ chair Bonifácio de Andrade said the charges against Temer and his two ministers lacked “elements” of proof (*see sidebar*).

This was the second CCJ vote on corruption charges laid against Temer. In July charges against the president had been dismissed in a 41-24 vote. This week’s 44-26 vote suggests the president may have gained marginally more backing. However, it is difficult to draw hard and fast conclusions as the political parties tend to chop and change their CCJ members at the last moment, so as to manipulate the result.

An analysis by newspaper *O Estado de S. Paulo* suggests that the coalition of centrist parties – the so-called *centrão* – remained 100% lined up behind Temer. Despite being Brazil’s most unpopular president (a 3% approval rating, according to one recent poll), it looks as if Temer has enough congressional support to soldier on.

TRACKING TRENDS

ARGENTINA | Russian investment. On 17 October, Russian locomotives and rail equipment manufacturer Transmashholding (TMH) announced plans to invest €170m (US\$200m) in the development of a new locomotive construction, repair, and maintenance plant in Argentina.

According to a TMH statement the investment plan was presented to Argentina’s President Mauricio Macri during a visit by TMH executives led by the firm’s president, magnate Andrei Bokarev. The firm’s statement noted that “We come to Argentina for three reasons: the economy is recovering, there are good investment projects, and Argentina’s railway industry is in need of modernising, which means that there is a lot of scope for growth”.

Last year the Macri government announced the launch of an eight-year US\$14.18bn railway development plan aimed at overhauling and extending the country’s outdated freight and passenger railway system.

Pointedly, TMH also said that once it is installed in Argentina, it plans to actively participate in public tender processes for railway development concessions.

PARAGUAY | Gaining access to US beef market. On 12 October, Paraguay’s agriculture & livestock ministry (MAG) announced that the country had secured “key approval” by the US sanitary authorities for Paraguayan beef exports to be allowed into the US market.

A MAG statement said that it had been informed by the US Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS) that its request for Paraguayan abattoirs to be subjected to an inspection process in order to secure certification to export to the US had been approved. The MAG statement noted that the approval of the request was a significant step towards securing access for the US market, as it implies that “APHIS approves Paraguay’s animal health system”.

The ministry noted that securing access to the US market would represent a major boon for the country, the world’s sixth largest beef producer and exporter, given that the US is the world’s main beef importer.

Last year Paraguay exported 240,384 tonnes (t) of beef worth US\$953m, a 1% year-on-year increase. But according to the latest figures from Paraguay’s national food safety and animal health authority (Senacsa), the country’s beef exports to August this year totalled 170,837t and were valued at US\$727.27m, a 3.2% increase in volume and a 15.51% increase in value compared with the same period last year.

If Paraguay’s beef industry secures certification to export to the US, the level of beef exports should continue to increase steadily in the coming years.

Cervantes resigns as head of PGR

Attorney General Raúl Cervantes resigned on 16 October, in a surprise move that may help break the political deadlock over proposed constitutional changes to the way his office functions.

Since 2014, the government led by President Enrique Peña Nieto has steered a series of judicial reforms through congress, but has been unable to implement them fully. Collectively the reforms create a national anti-corruption network, known as the Sistema Nacional Anti-Corrupción (SNA). One of the key changes is that the current office of the attorney general (known as the Procuraduría General de la República, PGR) will become more independent. Along with a name change (to Fiscalía General de la República, FGR), the head of the office will cease to be a direct political appointee.

At present the head of the PGR is very much part of the government, sitting alongside cabinet ministers reporting to a president elected for a six-year term. Instead, the new attorney general will be asked to perform a more independent role, still appointed by the president but subject to ratification hearings in the federal senate. Crucially, the office holder is to serve a nine-year, rather than a six-year, term in office, meaning most future presidents will have to work for all or part of their terms in office with attorneys general they did not appoint.

The government has not been able to implement the transition to the new FGR because it has lacked the necessary backing in the senate. There, the argument has been about who gets the job. Opposition parties have been critical of Cervantes since his appointment in October 2016 – particularly after it was revealed he had apparently concealed his ownership of a US\$218,000 Ferrari sports car by registering it at an accommodation address (he said this had been an “administrative error”). These parties were particularly hostile to the notion that the government was seeking an “automatic pass” for Cervantes, enabling him to become the new FGR. Their concern was that Peña Nieto, who like some of his predecessors could face corruption investigations after he steps down from the presidency in late 2018, might be seeking to protect himself by prolonging the term of ‘his’ personally selected attorney general.

By announcing his resignation, Cervantes has changed the game plan. He told the senate he did not want to be a distraction in the “urgent” transition to a more independent FGR. He also defended his record, saying that under his leadership the PGR had investigated corruption charges against state governors and mayors who had previously been considered untouchable.

Cervantes added that a key investigation into alleged corrupt payments involving Brazilian construction company Odebrecht and the Mexican state oil company, Pemex, was now complete. Without mentioning the companies by name Cervantes said his office had finished its probe into “one of the biggest corruption schemes that has been seen in Latin America and Mexico; the complex scheme to corrupt officials, to obtain public contracts improperly and later to try and hide the ill-gotten gains in fiscal paradises, tested our determination and our institutions.” No public announcements of the conclusions have yet been made.

It is not yet clear if the PGR-FGR transition is now set to move forward. Mexico is currently in a state of heightened pre-electoral politics, with low levels of trust between the main political parties. Members of the ruling Partido Revolucionario Institucional (PRI) welcomed Cervantes’s resignation as a way of breaking the deadlock. But members of the right-wing

Iguala

After Iguala, the Peña Nieto administration never fully recovered its lost popularity.

Neither of Jesús Murillo Karam’s two successors in the PGR role Arely Gómez (March 2015–October 2016) and Raúl Cervantes were able to make progress on the Iguala case.

Álvarez Icaza

Emilio Álvarez Icaza, a prominent human-rights activist and the first independent to announce his intention to register as a presidential candidate last February, opted against running in the end. Álvarez Icaza, who formed part of the 'Caravan for peace with justice and dignity', which staged marches across Mexico in 2011 and 2012 condemning the intensification of the drug war by former president Felipe Calderón (2006-2012), said that he had decided that multiple candidates would simply boost the PRI's chance of winning. His new party, *Ahora*, will present a candidate for the governorship of Ciudad de México (CDMX) though.

opposition Partido Acción Nacional (PAN) and the left-wing Partido de la Revolución Democrática (PRD) have said they are still concerned that the PRI may be intending to get a person of its choice, rather than an independent figure, into the role.

Peña Nieto has signalled that he is not in a rush. Following Cervantes's announcement Peña Nieto said it would not be advisable to appoint the new FGR head at a time of "political polarisation and effervescence", suggesting it might be better to wait until after the July 2018 elections. Deputy PGR head Alberto Elías Beltrán will serve as acting head until further notice.

During the Peña Nieto presidency, the PGR has been at the centre of political controversy. Peña Nieto's first appointee to the job, Jesús Murillo Karam, was widely seen as having led a deeply flawed investigation into the abduction and presumed murder of 43 student teachers in Iguala, Guerrero state, in September 2014. Although he proclaimed that the PGR had established the "historic truth" concerning the case (that the abductions had been committed by a drug gang with the collusion of local police and officials), over three years later many questions, including allegations of army involvement, remain unanswered, and the bodies of most of the victims have never been found (*see sidebar*).

Some analysts say that corruption is so deeply embedded in Mexico, and the attorney general's role is subject to such political pressures, that more radical measures are necessary. Jorge Ramos, a Mexican journalist and presenter of the television programme *Noticiero Univisión*, has suggested that Mexico should follow the example of Guatemala, which has allowed the United Nations-backed International Commission against Impunity in Guatemala (Cicig) to operate in the country alongside and in support of the local attorney general's office (MP).

Cicig played a key role in unmasking the *La Línea* corruption network, a process that led to the dismissal and arrest of President Otto Pérez Molina in September 2015. Its operation has not been without controversy – as recently as last August the incumbent Guatemalan head of state, Jimmy Morales, who himself faced investigation, was attempting (unsuccessfully) to expel Iván Velázquez, the Colombian-born Cicig head, from the country.

MEXICO | POLITICS

Zavala candidacy will cost PAN big

Two opinion surveys this week appear to confirm the worst for the president of Mexico's main opposition Partido Acción Nacional (PAN), Ricardo Anaya: Margarita Zavala will tear away a big chunk of support from the PAN in the general election on 1 July next year. Zavala abandoned the PAN last week because of irreconcilable differences with Anaya [\[WR-17-40\]](#) and, as expected, registered as an independent presidential candidate ahead of the 15 October deadline.

A national poll by the daily *El Financiero* found that Zavala would win 16% of the vote, just three percentage points behind Anaya, should he stand for the Frente Ciudadano por México electoral coalition forged between the PAN, the left-wing opposition Partido de la Revolución Democrática (PRD), and Movimiento Ciudadano (MC). Anaya slumped six points on the previous poll in July, behind the presidential candidate of the ruling Partido Revolucionario Institucional (PRI), who for the purposes of this poll was the interior minister, Miguel Ángel Osorio Chong, on 24%, and Andrés Manuel López Obrador, the leader of the radical leftist Movimiento Regeneración Nacional (Morena), on 32%.

Job creation

President Peña Nieto celebrated the new record job creation figure. “We have reached an historic job creation figure: we have created over 3m jobs,” he said. Peña Nieto also noted that on figures from the social security institute (IMSS) there are now 19.43m employed individuals enrolled with the IMSS and that Mexico’s unemployment rate (3.3% in August) was at its lowest level since 2005, with the youth unemployment rate falling to 6%.

The survey also showed that without the split, and with Zavala as the Frente candidate, she would sit atop the poll in a technical tie with López Obrador. In a guarded interview this week, Zavala said she was intent solely on collecting the 866,593 signatures from Mexicans on the electoral roll she needs to amass by 6 February next year in order to be permitted to compete in the elections as an independent. But she did not rule out standing for the Frente.

Zavala’s husband, former president Felipe Calderón (2006-2012), tweeted that if the Frente wanted to overhaul the PRI and Morena it needed to take an urgent look at a separate survey published by the daily *El Universal* this week. This showed that 29.1% of respondents felt she should be the Frente’s presidential candidate, ahead of the incumbent governor of the Ciudad de México (CDMX), Miguel Ángel Mancera, on 16.3%, Anaya on 10.6%, and the former governor of Puebla, Rafael Moreno Valle, on 7.4%.

A third survey, published by Gabinete de Comunicación Estratégica after Calderón’s tweet, actually put Zavala in outright second place on 27.1% behind López Obrador on 32.3% support. Anaya came a distant third in the survey on just 10.6%, alongside the current finance minister, José Antonio Meade, another PRI presidential hopeful, on 10.4%. The wildly differing findings suggest that all of the polls need to be treated with caution at this early stage, not least because of the dearth of firm candidates. But the polls also show that the inclusion of independent candidates in the presidential contest for the first time has seriously muddied the waters.

The poll by *El Financiero* showed that other independent presidential candidates, 39 of whom passed the initial registration process, could take significant votes away from the established political parties. Foremost among these was Pedro Ferriz de Con, a radio and television news anchor, on 8%; Jaime ‘El Bronco’ Rodríguez Calderón, the incumbent governor of the north-eastern state of Nuevo León, on 5%; and María de Jesús Patricio, who is running for the insurgent Ejército Zapatista de Liberación Nacional (EZLN) and the Congreso Nacional Indígena (CNI), on 3%.

This is the first time the EZLN has embraced electoral politics, more than two decades after rising up in rebellion against the Mexican state. Patricio, a traditional doctor from the Nahuatl indigenous group, will most likely take votes away from López Obrador among indigenous Mexican voters, especially in the southernmost state of Chiapas. Rodríguez, who through his moniker ‘El Bronco’ enjoys strong name recognition, unlike most of the independents, will also take votes away from López Obrador given his trademark straight-talking and predilection for populist gestures.

TRACKING TRENDS

MEXICO | Record formal job creation. On 16 October Mexico’s social security institute (IMSS) reported that 136,000 new formal jobs were created in the country in September. This is 28.3% higher than the average formal job creation rate observed in the country for the past decade (106,009 jobs), and it brings the accumulated number of formal jobs created this year to 812,292. It is the highest ever job creation figure reported for the first nine months of a year.

The IMSS also noted that the September formal job figure brings the total number of formal jobs created during the administration led by President Enrique Peña Nieto, who took office in December 2012, to 3.13m. This is 2.3 times more than the total number of formal jobs created under the previous administration led by Felipe Calderón (2006-2012), and the highest number of jobs created under any other previous government.

Cementing corruption concerns ahead of elections

With less than four months until the first round of presidential and legislative elections on 4 February, campaigning efforts have been overshadowed by a scandal which broke last month involving the Costa Rican subsidiary of the Chinese cement exporter Sinocem Costa Rica, the state Banco de Costa Rica (BCR), and top public officials. With one presidential candidate, Otto Guevara of the small opposition Movimiento Libertario (ML), already implicated, the impact could well spread.

The scandal first made headlines on 4 September when President Luis Guillermo Solís was called to testify before the legislative assembly over a US\$20m loan awarded by the BCR to Sinocem Costa Rica, as well as the decision in 2015 by the economy, industry & trade ministry (Meic) to amend rules regarding the importation of cement which legislators argued was designed to benefit the cement company. The changes struck out the requirement that cement can only be stored for 45 days, which served to make importing it easier. At the heart of the case are concerns regarding the lack of transparency surrounding links between top officials and Sinocem Costa Rica's director, Juan Carlos Bolaños. According to Solís, Bolaños had visited the presidential palace seven times since 2015, meeting cabinet ministers and other officials as part of his lobbying efforts.

Concerns about irregularities regarding the BCR loan led Solís to request that the entire seven-member BCR directorate resign on 26 September, and after five of them refused he suspended them to face disciplinary proceedings. Other institutions have been affected as investigations into Bolaños's ties to public figures progress. On 13 October, the supreme court (CSJ) suspended the attorney general, Jorge Chavarría, for three months, in line with investigations as to why at the end of last year his office omitted to present a key report by the CSJ's judicial investigations unit (OIJ) as documentation for an influence-trafficking case involving Sinocem Costa Rica, which was subsequently dismissed.

The case involves Guevara and fellow legislator Víctor Morales Zapata, formerly of Solís's Partido Acción Ciudadana (PAC) but who declared himself an independent last month. According to the local press, the OIJ report had revealed the existence of over 1,000 telephone calls between Bolaños, Morales, Guevara, and a former legislator (2010-2014), Wálter Céspedes of the opposition Partido Unidad Social Cristiana (PUSC). The CSJ's decision to suspend Chavarría came two days after the national association of criminology researchers (Anic) filed a criminal complaint against him and a CSJ judge, Celso Gamboa, for alleged influence-trafficking and negligence of duties in relation to the case.

Voter concern

Public corruption has been a major voter concern in previous electoral contests, although the most recent survey by Universidad de Costa Rica's centre for research and policy studies (Ciep), released in August 2017, showed that unemployment was the main voter concern (*see sidebar*) – cited as such by 18.4% of respondents. This was followed by insecurity (17.4%); the cost of living & the economy (12.9%); and corruption with 9.2%. Whether the latest scandal will impact on this remains to be seen.

The same poll showed that 42.5% of respondents were still undecided over who to back in the presidential contest, while 25.2% said that they would vote for the main opposition Partido Liberación Nacional (PLN) candidate, Antonio Álvarez; 11.5% for the PUSC's Rodolfo Piza; and 9% for the PAC's Carlos Alvarado.

Economic concerns

Costa Rica's average annual national unemployment rate was 9.5% in 2016, close to that of 2015 (9.6%), according to a September report by the Economic Commission for Latin America and the Caribbean (Eclac). The same report notes that economic activity expanded by 4.3% in 2016, down from 4.7% in 2015. The latest October 2017 forecast by Eclac is for 3.9% GDP growth for Costa Rica in 2017, above the 3.4% average for Central America.

POSTSCRIPT

Quotes of the week

“Today the truth of Venezuela has won.”
Venezuela's President Nicolás Maduro.

“I think that the [Juan Domingo] Perón of '73...would have voted for those who want to unite rather than divide Argentines...The Perón of '46, who constructed social justice...would not have voted for those who left one in every three Argentines in poverty. If he were alive he would surely vote for Cambiemos.”

Esteban Bullrich, who is representing Argentina's ruling Cambiemos in senate elections in the province of Buenos Aires, lays claim to Perón's legacy.

“For some time Sebastián Piñera has done nothing but completely discredit a policy of social rights. I think it is a very bad sign of the type of government he wants to install.”

The president of Chile's Partido por la Democracia (PPD), Gonzalo Navarrete.

Moreno's non-adjustment in Ecuador

Ecuador's President Lenín Moreno has finally unveiled his much-awaited economic plan for next year, with an increase in corporate tax the headline measure. Moreno's softly-softly approach to the country's fiscal deficit of at least 5% of GDP risks backfiring, as the government will have to become more indebted to fund a gradual adjustment, and at potentially higher borrowing costs.

This latest plan, which President Moreno stressed was preliminary in nature, looks aimed primarily at ensuring the support in the national assembly of the splintered ruling Alianza País (AP), which remains divided between radicals and moderates and is disinclined towards austerity. A tougher adjustment may be forthcoming after the national public referendum on political, economic, and constitutional reform due early next year, which appears set for majority approval.

Stressing that he wanted to protect the most vulnerable in society, Moreno offered reassurances on fuel subsidies and the value added tax (VAT) rate applicable to consumers, but he announced that the corporate income tax rate would go up by three percentage points to 25%, from 22% currently. This will sit well with the AP, if not the business community.

The finance ministry calculates that the corporate income tax increase, which will be accompanied by measures against tax evasion and smuggling, will generate about US\$1.9bn a year in additional revenues. These funds, Moreno stressed, would be put straight back into social welfare programmes. In other words – the extra funds will not necessarily go into bringing down the fiscal deficit. Meanwhile, companies posting annual sales of less than US\$300,000, which means most companies in Ecuador, will be exempt from the existing minimum income tax, which is levied regardless of earnings and is much criticised by local companies.

Relatedly, companies that repatriate overseas capital, and create new jobs by the end of 2018, would become eligible to have their corporate income tax suspended for five years. Likewise, export companies that can demonstrate a stable labour force (which the government can see via payroll data) would also be exempt from the tax on foreign-currency transactions (levied at a high 5%).

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