

# latin american weekly report

25 October 2017, WR-17-42

ISSN 0143-5280

## CONTENTS

<b>LEADER</b>	<b>1</b>
Macri coasts to coruscating congressional victory in Argentina	
<b>ANDEAN COUNTRIES</b>	
<b>COLOMBIA</b>	<b>4</b>
ELN and FARC sign Montecristi declaration	
<b>VENEZUELA</b>	<b>5</b>
A MUDDY end	
<b>PERU</b>	<b>7</b>
Human Rights in Peru – a long way to go	
<b>BRAZIL &amp; SOUTHERN CONE</b>	
<b>BRAZIL</b>	<b>8</b>
Congress shelves corruption case against Temer	
<b>BRAZIL</b>	<b>9</b>
Blessed be the flour	
<b>CHILE</b>	<b>10</b>
Piñera and Bachelet slug it out	
<b>MEXICO &amp; NAFTA</b>	
<b>MEXICO</b>	<b>11</b>
Deadlock in the senate	
<b>MEXICO-REGION</b>	<b>12</b>
DEA sees a continuing Mexican and Colombian threat	
TRACKING TRENDS	
<b>CENTRAL AMERICA &amp; CARIBBEAN</b>	
<b>HAITI</b>	<b>14</b>
Minustah leaves behind a mixed legacy	
<b>GUATEMALA</b>	<b>15</b>
Fallout from political crisis continues	
<b>POSTSCRIPT</b>	<b>16</b>
Ecuador taps international capital markets	
Quotes of the week	

This edition of *Latin American Weekly Report* has been produced for Canning House Corporate Members by LatinNews ([www.latinnews.com](http://www.latinnews.com)).

## Macri coasts to coruscating congressional victory in Argentina

Argentina's President Mauricio Macri surpassed expectations in mid-term congressional elections on 22 October. Defeating former president Cristina Fernández (2007-2015) would have been victory enough but Macri's ruling centre-right Cambiemos swept the country's five most populous electoral districts, a feat last achieved in 1985. Macri inflicted some crushing defeats on the main opposition Partido Justicialista (PJ, Peronists). Dominant for much of the last 70 years, the PJ has rarely looked so divided and dejected. A buoyant Macri will now move to roll out some major economic reforms. If they are successful, it is difficult to see anyone stopping him from winning re-election in 2019.

Not since former president Raúl Alfonsín (1983-1989) some 32 years ago has an Argentine head of state made a clean sweep of the country's five most populous electoral districts in the same elections: the province of Buenos Aires, the City of Buenos Aires (Caba), Córdoba, Santa Fe, and Mendoza. Cambiemos also won three of the next five largest provinces, adding Chaco and Salta to its haul in the primary elections (Paso) in August. In all, Cambiemos won 13 of Argentina's 24 electoral districts (two more than in the Paso), and while its powerbase is concentrated in major urban centres and agricultural heartlands it also made significant inroads in poorer provinces and entrenched a national presence.

The most important win by far came in the province of Buenos Aires, where the Cambiemos list topped by Macri's former education minister Esteban Bullrich overturned a narrow 20,000 vote deficit in Paso to defeat the list led by Fernández by almost 400,000 votes (41%-37%). This is the result that will reverberate on the international stage. Fernández had won every election she had contested since 1989. Although she still won the third senate seat on offer in the province (Cambiemos won the first two), she will cut a diminished figure, unable to rally the fractured PJ around her to stymie Macri's proposed tax and labour reforms. Foreign investors had balked at the prospect of a victorious return for Fernández, which would have seriously damaged Macri's political capital. Instead, he will meet private investors on Wall Street on 6 and 7 November confident that the shackles are now off.

Fernández sought to downplay her defeat. "Nothing ends here, everything begins here today," she said. She argued that her new Unidad Ciudadana party would supply the main opposition to the government, having won more votes than it managed in the Paso. This was a result of the squeeze on Sergio Massa, the leader of the dissident Peronist Frente Renovador, and Florencio Randazzo, of the traditional PJ, who finished a distant third and fourth respectively in the increasingly polarised elections. But Kirchnerismo and allies sustained two further painful defeats. Cambiemos won by 44%-32% in the southern province of Santa Cruz, where Alicia Kirchner,

## Corruption

The legal cases against former president Fernández, especially for alleged corruption, have seen her popularity ebb away in urban centres. It was noteworthy that Elisa Carrió, who was almost an isolated figure as the most vocal critic of the Fernández administration for corruption while the former president was in her pomp, won the most votes ever for a candidate in the City of Buenos Aires (Caba) elections, taking 51% of ballots cast. And the spectre of corruption hanging over her government is not going away. Julio de Vido, the powerful planning minister for 12 years under Kirchnerista governments (2003-2015), was stripped of his immunity as a federal deputy on 25 October and later arrested on corruption charges.

Fernández's sister-in-law, is governor. The loss in the cradle of Kirchnerismo was not a seismic shock as Cambiemos had won the Paso there convincingly two months earlier, but this was not the case in Santa Fe, the country's third largest electoral district. Cambiemos overturned a narrow defeat in Santa Fe in the Paso to win 38% of the vote, a margin of victory of 13 percentage points.

Kirchnerismo won in just four provinces. It won Tierra del Fuego by a hair's breadth, clung on to Chubut, fought off a buoyant Cambiemos in Río Negro, and theoretically won in San Luis (*see map and table below*). The Rodríguez Saá have reigned in San Luis for 34 years since the return to democracy in 1983, and are concerned only with perpetuating the family dynasty, switching allegiance within the PJ to that end.

Despite the setbacks, Fernández remains the most visible face of the opposition and, assuming one of the litany of legal cases against her does not result in imprisonment (*see sidebar*), it is not inconceivable she could run for president in 2019. This is because the PJ is in disarray. Already fragmented, it lacks leaders of any stature. Five of its governors suffered defeats in the mid-term elections: Domingo Peppo (Chaco), Juan Schiaretti (Córdoba), Gustavo Bordet (Entre Ríos), Sergio Casas (La Rioja), and Juan Manuel Urtubey (Salta).

The electoral reverse in La Rioja was a bitter pill to swallow as the province had been a PJ fiefdom since 1983. The narrow defeat for the Peronist grandee, former president Carlos Menem (1989-1999), was a major coup for Cambiemos. So too was the coalition's victory in Salta. Urtubey was being touted as a possible leader of Peronist renewal who could face Macri in 2019. While other PJ bastions tumbled in the Paso dress rehearsal, Urtubey had held strong in Salta. But in a 22-point swing, Cambiemos defeated the PJ by nine points in Salta when it mattered on 22 October.

In the past such a loss would have instantly put paid to Urtubey's ambitions to head the PJ's presidential ticket but the most obvious alternatives, such as Schiaretti or Massa, were also humbled; indeed, Massa's FR lost most seats in the lower chamber of congress (*see table below*). Neither Juan Luis Manzur nor Sergio Uñac, governors respectively of Tucumán and San Juan, where the PJ won, is seen as having the clout to unite the PJ. Meanwhile, Carlos Verna's PJ, which won by a tiny margin in La Pampa, is a provincial dynasty with no national presence.

"We are the generation that is changing history," Macri said while celebrating the result and its implications. Cambiemos succeeded in supplanting the PJ as the largest political grouping in Argentina. Despite eviscerating the opposition across the country, however, Cambiemos will not have a majority in either the federal lower chamber or the senate when congress is renewed on 10 December. Cambiemos was defending 40 seats in the lower chamber. It won 61 in total to increase its presence from 86 to 107 in the 257-seat chamber. This is 22 seats short of a majority, meaning the Macri administration will still need to seek consensus to advance its reforms. Cambiemos was defending just three seats in the senate and won 12, meaning it jumped from 15 to 24 seats in the 72-seat body.

The bald figures do not tell the whole story though and the scale of Macri's victory means he has won a mandate for reform. The governors will be chastened by defeat and far less likely to behave like unruly barons. Macri will be able to call them to order and they, in turn, will assert authority over their vassals in the federal congress to do his bidding. This means that mustering a majority in congress will be far easier for Macri than before.

Macri wasted no time in announcing his intention to outline his proposed reforms on 30 October. These will include tax and labour reforms, as well as the 2018 draft budget. "We are entering a stage of permanent reforms," Macri said. "Argentina doesn't have to stop, there is no need to be fearful of the

## Maldonado

An autopsy performed on 20 October revealed that the body found in the southern province of Chubut was that of the missing pro-Mapuche activist, Santiago Maldonado [WR-17-41]. The autopsy confirmed no sign of wounds on the body. The Maldonado case did not impact the electoral result as Kirchnerismo had hoped and may well have been a hindrance, distracting it from its primary discourse of a 'heartless' government preparing an economic adjustment that would punish low income earners.

reforms. We have to make many," he added. He promised to hold wide-ranging discussions about the reforms with governors, the trade unions (whose sting should also be drawn by the electoral result), business, and opposition members of congress, before sending the resultant bills to congress for debate. But in his moment of triumph, Macri will know that he needs to deliver, bring inflation down to a single digit and preside over a sustained economic revival that benefits the majority if he is to consolidate his power and win re-election in 2019.

### Current and projected composition of lower chamber of congress

Party/bloc	Current number of seats	New total from 10 December
Cambios	86	107
Kirchnerismo and allies	77	67
PJ no Kirchnerista	34	40
Frente Renovador	37	21
Others	23	22
<b>Total</b>	<b>257</b>	<b>257</b>

### Current and projected composition of senate

Party/bloc	Current number of seats	New total from 10 December
Cambios	15	24
PJ no Kirchnerista	26	23
Kirchnerismo and allies	18	10
Others	13	15
<b>Total</b>	<b>72</b>	<b>72</b>



### Result (%) by province based on elections to the federal lower chamber of congress (ordered by size of voter turnout)

Provinces	Cambios and allies	Kirchnerismo and allies	PJ and allies	Voter turnout (nearest '000)
Buenos Aires	42 (+7)	36 (+4)	5 (-1)	9,671,000
Córdoba	48 (+3)	10 (=)	30 (+1)	2,096,000
Santa Fe	38 (+11)	26 (-2)	-	2,050,000
City of Buenos Aires	51 (+1)	22 (+1)	-	1,949,000
Mendoza	46 (+5)	-	25 (-8)	1,113,000
Tucumán	33 (+2)	-	47 (-5)	999,000
Entre Ríos	53 (+5)	-	38 (-4)	851,000
Salta	31 (+7)	23 (+6)	24 (-14)	705,000
Chaco	42 (+5)	11 (+4)	40 (-4)	663,000
Misiones	33 (+4)	13 (+2)	43 (+2)	691,000
Corrientes	55 (+10)	-	26 (-9)	591,000
Santiago del Estero	18 (+2)	-	70 (4)	561,000
San Juan	32 (+2)	-	54 (+5)	432,000
Río Negro	32 (+13)	49 (+8)	-	400,000
Neuquén	28 (+3)	19 (+1)	MPM 21 (-1)	393,000
Jujuy	52 (+16)	-	20 (-10)	380,000
Formosa	36 (+1)	-	62 (+5)	332,000
Chubut	31 (+5)	33 (=)	-	319,000
San Luis	43 (-12)	55 (+18)	-	311,000
La Pampa	45 (-4)	-	46 (+7)	217,000
Catamarca	41 (+5)	6 (+2)	48 (+1)	215,000
La Rioja	45 (+13)	-	44 (=)	200,000
Santa Cruz	44 (-2)	32 (+3)	7 (=)	175,000
Tierra del Fuego	29.7 (+10)	30 (+9)	23 (+5)	97,000

**ELN and FARC sign Montecristi declaration****Farc 'refuseniks'**

Citing sources in the intelligence services, Reuters news agency said that the number of Farc 'refuseniks' could be even higher at around 1,000; it was also claimed that the Farc's third front had said it would resume military operations. Meanwhile Deputy UN Secretary General for Human Rights Andrew Gilmour, on a visit to Colombia, said, "Disarmament and demobilisation (of Farc fighters) is going well. Their re-integration into society is not going that well." Gilmour said the demobilised fighters were finding it difficult to secure employment, creating the risk that they would revert to a life of crime.

Colombia's two main guerrilla groups – one of which has already laid down its arms and the other of which is in negotiations to do so – signed a joint declaration in Montecristi, Ecuador, ratifying their support for the peace process. But there have been renewed indications that the road ahead is beset with difficulties.

In principle the Montecristi declaration, signed on 23 October by Farc (now operating under its slightly modified peace-time name of Fuerza Alternativa Revolucionaria del Común) and the Ejército de Liberación Nacional (ELN) is good news for the government, which was represented in the Ecuadorean city where they were met by Colombia's foreign minister María Ángela Holguín. Although the government was not formally a signatory, the essential message of the Montecristi declaration was that the peace process, underway on two separate timelines, can be consolidated and strengthened.

The Farc signed a comprehensive peace agreement with the government in November last year; this year it has officially become a political party. Its members have laid down their weapons and continue a demobilisation process. The ELN and the government began peace talks in February; the negotiations are taking place in Ecuador with five countries acting as guarantors (Brazil, Cuba, Chile, Norway, and Venezuela). The fourth round of these negotiations has just begun. The ELN has not laid down its weapons but is currently observing a ceasefire that runs to 9 January 2018.

In the declaration both the Farc and ELN say that no difficulty, however large, will lead them to retreat from a peace process, "built on a foundation of social equity, sovereignty, truth and democracy". The two organisations said they would develop "joint mechanisms" to defend peace and to "harmonise" their two separate peace talk processes. They would in due course give further details of these proposed joint mechanisms. For optimists, this could be read as suggesting the larger Farc will help lock-in the ELN to the peace talks, pushing back the nightmare scenario where the Colombian authorities end up brokering a peace deal with one, but not the other, of the country's two main guerrilla forces.

Yet there is also a pessimistic reading of Montecristi: that peace is not going as well as hoped. Certainly the ELN and Farc used the declaration to air some of their key concerns. Top of the list was the murder of social and community activists and human rights campaigners, which they attribute to the remnants of right-wing paramilitary forces. The Farc says that 30 of its demobilised fighters have been killed. These crimes, the statement said, were carried out with impunity, and the attorney general was "mistakenly" describing them as isolated and unconnected incidents. The declaration also calls for faster social and legal reforms, for more action to replace the cultivation of illicit drugs and the granting of land ownership titles, and for more to be done to fight "generalised corruption".

The Farc and ELN of course have a political agenda, but other sources also highlight concerns over the peace process. Carlos Alfonso Negret, the ombudsman ('defensor del pueblo') said that on his calculation some 800 Farc members had refused to lay down their arms – about double earlier estimates. This would mean that over 10% of the organisation's estimated 7,000 fighters had refused to demobilise. Negret said, "I'm worried by the dissidents" who, he added, were probably gravitating to a life of crime and drug trafficking (*see sidebar*).



## A MUDDY end

### VP's Guevara sets out principles

In a series of tweets on 25 October, the vice president of Venezuela's national assembly, Freddy Guevara of Voluntad Popular (VP), part of the main opposition Mesa de la Unidad Democrática (MUD), set out his principles for a revised opposition pact. These include an "absolute refusal" to recognise the fraudulent national constituent assembly (ANC) or to "kneel to the dictatorship". Guevara also called for changes to the national electoral council (CNE), renewed peaceful street protests and international pressure.

Venezuela's troubled opposition coalition, Mesa de la Unidad Democrática (MUD), has "completed its cycle in political history", according to Henri Falcón, the outgoing governor of Lara state, who has called for a new national unity platform to challenge the Partido Socialista Unido de Venezuela (PSUV) government led by President Nicolás Maduro ahead of the 2018 presidential election.

Falcón, leader of the leftist Avanzada Progresista (AP) party, an MUD member, and for the past decade the state governor of Lara (2008-2017), called for a broad and inclusive 'national unity movement', to include unions and other sectors. He urged "a platform without personal privileges or parties" and said the opposition leadership needed refreshing. "Two or three can't direct the destiny of the country", he continued, accusing the 'G2' – in reference to the Caracas-based Primero Justicia (PJ) party co-founded by the outgoing governor of Miranda state, Henrique Capriles Radonski, and the radical Voluntad Popular (VP) party led by Leopoldo López – of being "the elite aristocracy of the MUD".

In a TV interview with the news director of *Globovisión*, Vladimir Villegas, Falcón accused the PJ and the VP for working against the AP's (unsuccessful) election campaign in Lara, because of the AP's position in favour of dialogue with the Maduro government. Falcón slammed Capriles over his announcement that he would quit the MUD in protest at the alleged treachery of Henry Ramos Allup, secretary general of the traditional Acción Democrática (AD) party, whose four newly-elected state governors broke with the MUD leadership in opting to swear allegiance to the legally-dubious national constituent assembly (ANC) convened by the Maduro government in order to be able to take up their seats.

Falcón defended the decision of the four AD governors-elect to do what they did to take up their posts, arguing that it made no sense to "hand in" the governorships "won with such effort". In that context, he reasoned, the four had no other option but to swear in before the ANC. "If there's one thing we have fought against is single thought, but someone says something Capriles doesn't like and he comes out with an infantilism, my God, if it's going to be like this in these conditions I don't want to imagine him handling the destiny of this country", Falcón stated.

The fact is that the MUD appears to have haemorrhaged support. Two years ago, in December 2016, the MUD had its best electoral result ever, winning 7.7m votes in the mid-term national legislative elections and securing a two-thirds majority of the national assembly (112 deputies). The MUD polled over 2m votes more than the PSUV, which won 5.59m (returning just 53 deputies).

Less than 24 months later, the MUD had lost 2m votes, taking 4.98m in the regional elections held on 15 October. The PSUV, meanwhile, saw its support stagnate in the same period, with a 'reported' turnout of 5.6m votes. While the results looked questionable to many and clearly there is not a level playing field in Venezuela, the evidence for widespread electoral fraud in the regional elections – to the extent that it would change the overall result – is unlikely to be forthcoming.

The fact is that millions of voters who had previously turned out for the MUD simply stayed at home on 15 October. Many Venezuelans have lost faith in the MUD as way to deliver change. Abstention was 35% – and significantly higher (over 50%) in populous urban areas run by the opposition (including Caracas districts and the surrounding Miranda state). As Falcón

## Early municipal elections?

On 25 October, Partido Socialista Unido de Venezuela (PSUV) leader Francisco Ameliach called for the municipal elections due by year end to be brought forward. The government-controlled national electoral council (CNE) has yet to set a date for these elections.

suggested, the MUD must now reinvent itself. Capriles has also said as much, tweeting: “We are going to see a new unity. In the worst crises and circumstances, opportunities always crop up”.

Time is not on the opposition’s side – municipal elections are due in December and Maduro has strongly hinted that (for once) this particular vote will be held as scheduled, allowing the PSUV to take full advantage of the MUD’s implosion to consolidate its already-strong municipal position. On 24 October, VP announced that it would not participate in the municipals – on the grounds that new mayors (apparently) will also have to swear allegiance to the ANC. It remains to be seen if Capriles and the PJ will take a similar decision – in the days after the regional elections, Capriles said that he had “lost faith in the electoral route” in the current conditions. As things stand then, Maduro and the PSUV look set for another electoral victory within weeks, despite the year that has just been in Venezuela.

### Looking to 2018

Meanwhile, Falcón insisted that it was still too early to think about a presidential candidate, stressing that the priority should be dealing with Venezuela’s economic and social crisis. “Two-sided postures have done damage to the coalition and promoted abstention in the regional elections”, he emphasised.

Yet the regional election fiasco for the MUD has triggered the gun on the 2018 electoral contest – with Falcón and Ramos Allup chief among those already surveying the political landscape. The AD, traditionally-based at state and rural level, has come out of the regional polls strengthened and ready to get their hands dirty by working with Maduro. Ramos Allup, who served as national assembly president in 2016-2017, has maintained some distance from Capriles and López, taking a cautious stance on the fatal anti-government protests in April-July, for example, all the while quietly working his extensive network of political (and business) connections behind the scenes. Ramos Allup clearly sees a role for himself and the ‘Adeccos’ in a future transition.

As likely does Falcón, who until 2012 was allied with the late former president Hugo Chávez (1999-2013). Given his background – and his connections – Falcón has long been touted as a figure with the capacity to breach the divide between Chavismo and other forces, and has always been considered a potential presidential candidate.

### State protectors

The newly-elected governors of Anzoátegui state (Antonio Barrero), Nueva Esparta state (Alfredo Díaz), Táchira state (Laidy Gómez), and Mérida state (Ramón Guevara) said they had accepted “the humiliation” of being sworn-in by the ANC so as not leave their seats vacant and their communities “abandoned”. The fifth MUD governor-elect, Juan Pablo Guanipa of the PJ, elected in Zulia state, insisted that unlike his colleagues, “under no circumstances” would he appear before the “fraudulent ANC”.

Even as Maduro congratulated the four AD governors-elect and said he wanted to “turn the page...and get down to work”, he simultaneously announced the appointment of new ‘protectors’ for all five states won by the opposition. Notably, these new ‘protectors’ are either the states’ former PSUV governors, or the PSUV electoral candidates chosen to replace them. The president said the move was a way of making sure those states would not be “uncared for”. Almost certainly, these new ‘protectors’ will be assigned funding and potentially given parallel responsibilities to the elected opposition governors, thereby undercutting them.

This tactic was first used in Caracas a decade ago, after the PSUV lost the metropolitan mayoral election in December 2008. In April 2009, the PSUV-controlled national assembly approved a new ‘capital district’ and transferred most functions, funding, and personnel to a new ‘capital district mayor’, Jaqueline Faría, who was directly appointed by then-president Chávez.

## Human Rights in Peru – a long way to go

### Fujimori's Pardon

Addressing the issue of granting a pardon to Peru's disgraced former president, Alberto Fujimori (1990-2000), who in 2009 was sentenced to 25 years in prison for corruption and human rights abuses, the United Nations High Commissioner for Human Rights, Zeid bin Ra'ad Zeid Al Hussein, stressed: "Mr Fujimori was convicted of crimes amounting to crimes against humanity, that is, crimes of interest to the international community as a whole. The international community must be approached and engaged in this highly important matter".

The United Nations High Commissioner for Human Rights, Zeid bin Ra'ad Zeid Al Hussein, has called on Peru to reinforce respect for human rights in support of a more sustainable economic development path. The call comes as Peru begins to recover its economic dynamism, recently overtaking Chile as the biggest supplier of copper to China. Successive Peruvian governments have summarily failed to deal with the issue of social conflicts around the extractives sector, as well as the protection of vulnerable social sectors, including not only indigenous communities but also women, in a country with one of the highest femicide rates in the world.

On a two-day visit to Peru (23-24 October), Zeid met President Pedro Pablo Kuczynski, members of congress and the judiciary, civil society groups, and representatives from the private sector. In a statement prior to his departure, the United Nations official praised Peru for making "great strides over the past decade in reducing poverty". However, Zeid stressed the country as a whole needed to work harder to stand up for human rights, not least so as to ensure an economy that is sustainable and broadly inclusive. "I welcome Peru's efforts to fight poverty and exclusion, and its economic progress is undeniable. The country must now consolidate such advances by continuing to strengthen the rule of law and the protection of human rights", he stated. "Development, to be truly sustainable, should not leave anyone behind, and should never be at the expense of the rights of some members of society", Zeid added.

Highlighting the Kuczynski government's development of a new national human rights action plan, Zeid called for the meaningful participation of all sectors, particularly civil society groups. "It is our sincere hope that the national action plan can adequately address Peru's human rights needs, particularly those of the most vulnerable groups", he said, reiterating United Nations readiness to continue with the provision of support and technical expertise to that end. Zeid also urged the Kuczynski government to protect human rights defenders, noting that "Peru is no exception to a trend across the Americas – and indeed the world – of harassment, intimidation and alarming attacks on human rights activists".

The Commissioner called for the urgent implementation of the 2016 legal framework and national plan to search for people who went missing between 1980 and 2000, a period of state-sponsored violence in Peru. Zeid voiced concern that "the recommendations made more than a decade ago by the truth and reconciliation commission have to date been insufficiently implemented". "The high level of impunity for violations committed during this period is deeply troubling", he continued, emphasising that "victims' needs must be addressed, including their right to truth, justice and reparations". "Resources must be made available to ensure that the search for the missing can be fully carried out", Zeid noted.

According to the World Health Organization, Peru has ranked third globally since 2013, behind Ethiopia and Bangladesh, for complaints about gender violence. Ten women are murdered every month, on average, in Peru, while a further 20 are victims of attempted femicide, on government figures. The authorities reported a 2% increase in complaints about gender violence in January-April this year. Zeid emphasised that with Peruvian women and girls at high risk of gender-based violence, laws designed to prevent and punish domestic violence and femicide are important, but even more important is rigorous implementation and strong preventive measures to ensure punishment for perpetrators. "I urge the government to address the social and cultural attitudes that continue to be used to justify violence against women", he said, appealing also for improvements in women's sexual and reproductive rights.

**Congress shelves corruption case against Temer**

Brazil's federal chamber of deputies voted that President Michel Temer should not be put on trial for leading a criminal organisation and the obstruction of justice. This is the second time Temer has been cleared of criminal charges in the lower chamber of congress in the past three months. The rejected charges also affect Temer's chief-of-staff Eliseu Padilha and minister of the presidency Wellington Moreira who were also accused of criminal organisation.

Deputies voted 251-233 in the 513-seat chamber against trying Temer. The result means that it is unlikely that Temer will now face prosecution until the end of his term in 2018. However, at the time of writing, it is less clear whether further legal action will be taken against Padilha and Moreira. The vote in the chamber of deputies was comfortably above the 172 votes Temer needed for the criminal charges to be rejected, but it shows he has less support than when he faced the first round of charges in August. Back then, deputies voted 263-227 in favour of the president. One of the main reasons for the lower number of votes this time is a rift within the centre-right Partido da Social Democracia Brasileira (PSDB) party. Although the party is nominally allied to the government, half of PSDB deputies voted against Temer (23 against, 20 in favour, three were absent).

Yet the high number of votes in favour of Temer this time round shows his support base remains solid. Moving forward, the question is whether this will be enough to push through some of the significant reforms promoted by the Temer government, such as a pensions reform bill. This bill has been met with fierce resistance by the opposition and is unpopular, meaning legislators weighing their re-election prospects in the 2018 general election may not want to back it. In the coming months, Temer has also proposed to push other reform initiatives which are likely to meet less resistance in congress such as: restarting the social housing programme 'Minha Casa Minha Vida', reforming the student loan system, and launching a programme to incentivise infrastructure spending.

To strengthen his support base in congress ahead of the vote, Temer did not take any chances. He released R\$960m (US\$273m) in budgetary adjustments or 'emendas' to the lower chamber of congress between September and October, according to data compiled by *BBC Brasil* from the budgetary commission. The president adopted a similar strategy ahead of the last vote on whether to subject him to trial in August. While it is not illegal to amend the budget, releasing higher disbursements than normal before important votes is undoubtedly a strategic move.

Moreover, Temer reminded legislators that loyalists would be rewarded, and traitors punished. Between September and October, Temer appointed new officials to his government, ostensibly in a move to please members of the so-called 'centrão' bloc of parties allied to the government. On 17 October, Walmerson da Costa of the Partido Social Cristão (PSC) party was appointed as the head of Brazil's agricultural and industrial development agency (ABDI), at the request of PSC federal deputy, André Moura. By contrast, Temer allies made it clear that those who betrayed him by failing to support him in congress would be treated with "zero tolerance", according to sources who spoke to local daily *Folha de São Paulo* on 23 October. Defectors would be considered as members of the opposition and their parties could lose positions in government.

Ahead of the latest congressional vote, Temer also watered-down debt refinancing measures (Refis) and took the Congonhas airport that serves the city of São Paulo off the list of state assets that are to be privatised in order to win

**Unforeseen events**

For all President Michel Temer's careful preparations ahead of the congressional vote on the criminal charges levelled against him, there were some last-minute stresses. In the morning of the day of the vote, the political opposition tried to postpone the vote by staging a walkout in the federal chamber of deputies in an attempt to try to leave the session inquorate. Adding to the drama, Temer was taken into hospital that afternoon after being diagnosed with a urinary obstruction.



**UN calls for social policies to combat hunger to be extended**

A report by the Food and Agriculture Organization of the United Nations (FAO) and the Pan-American Health Organization (PAHO), published on 10 October, shows that Brazil maintained hunger levels below 2.5% in recent years. This means that Brazil is on track to reach the goal of no hunger by 2030, but only if public policies directed at Brazil's most vulnerable such as 'Zero Fome' are continued.

votes. More controversially, the president made a series of concessions to please the bancada ruralista agricultural lobby bench in congress, including a 60% reduction in fines for breaches of environmental law. Temer also loosened the definition of modern slavery to please land owners, causing public outcry, but this was later overturned by the supreme court (STF).

**BRAZIL | POLITICS**

**Blessed be the flour**

Farinata is a flour made from ground up food. The mayor of the city of São Paulo, João Doria, has proposed making farinata with food close to its expiry date as a way to help reduce hunger and food waste. Doria believes that this "blessed" ingredient is the solution to eradicating these problems in Brazil's most populous city. Doria's idea has gained some support from various religious groups. But many São Paulo residents have balked at the idea, which they see as an insult to poor people's dignity.

Doria and the Catholic Archbishop of São Paulo, Dom Odilo Scherer, said using the new farinata would help the municipal government distribute more food to the city's most vulnerable. Scherer has dismissed comparisons between the farinata and "dog food", "rations", or "compost" as offensive. "Don't politicise poor people's hunger. To devalue it is not to give food," said the cardinal, during a promotional event held on 18 October.

During the event, Doria announced the farinata would be available in municipal schools before the end of the month of October. He did not say how it would be distributed but stressed it would not incur any extra costs for the municipal government. However, the mayor was forced to backtrack on 19 October due to legal challenges from local prosecutors, outrage from students' mothers, and opposition from his own education minister, Alexandre Schneider, who had not been consulted. Under Brazilian legislation, school menus can only be changed with the permission of a special committee, Codae, which needs to approve the safety of new foods. It says that it knew nothing about the initiative.

In theory, the farinata is a versatile store cupboard ingredient that can be used to make bread, biscuits, or spaghetti or as a kind of thickener for sauces and soup. It can also be used as a kind of supplement which contains "protein, vitamins, mineral salts", Doria said on 18 October. But others are more sceptical of its nutritional value. There is some confusion about what the farinata is, given it is made from a variety of (unspecified) donated foods, which may be dehydrated and mixed in with additives or preservatives. "Everyone knows that farinha [flour] is made from wheat. But we need to be able to understand what this farinata is made from...children can be given the wrong things to eat", said Celso Cukier, a medic and nutritionist at the institute for metabolism and nutrition, a private clinic.

Amid mounting opposition to the foul-looking farinata, a clip from Doria's days as a host of reality TV show, *O Aprendiz* (The Apprentice), has gone viral. First broadcast on *TV Record* in 2007, in one episode, a candidate presents Doria with a business idea to improve the eating habits of socially impoverished people. "Eating habits? You think that humble, poor, miserable people have eating habits?...If they can eat, they should be grateful to God," snapped Doria. However, ten years on, the tables are turned and it is Doria who is having to market a seemingly unpalatable product to poorer people.

Doria is a member of the centre-right Partido da Social Democracia Brasileira (PSDB) party. He is touted as a possible presidential contender along with fellow PSDB member and incumbent governor of São Paulo state, Gerardo Alckmin. Pointedly, Alckmin did not comment on Doria's latest initiative. Instead, he tweeted a picture of a balanced plate of food on 19 October. It featured a traditional Brazilian meal of meat, beans, vegetables, salad, bread, desert, and juice said to cost of just R\$1 (US\$0.30).

## Corruption cases to influence the vote?

Recent developments in a number of Chilean corruption cases could influence voter intentions. A state prosecutor has asked for a four-year prison sentence for President Bachelet's daughter-in-law, Natalia Compagnon, implicated along with her husband in the long-running Caval case, a real estate scandal involving tax evasion. Meanwhile Bachelet's Partido Socialista has expelled Miguel Ángel Aguilera, the mayor of San Ramón, after a television documentary alleged that he was complicit with drug trafficking in the municipality. Some opponents of Guillier have tried to link him to the disgraced mayor. Nor has Piñera been free from criticism on the corruption front. The investigation into false invoicing and tax evasion at mining company SQM is continuing; one of those charged in that case is Pablo Longueira, Piñera's former economy minister.

## Piñera and Bachelet slug it out

**With three weeks to go before the 19 November general election, the big political boxing match is being fought not between the frontrunners, but between one of them – former president Sebastián Piñera (2010-2014) of the right-of-centre Chile Vamos coalition – and someone who is not even a candidate: the sitting president, Michelle Bachelet of the incumbent Nueva Mayoría centre-left coalition. Who benefits is not entirely clear – but Piñera seems to think he is well positioned.**

According to the opinion polls, three of the eight presidential candidates are frontrunners. Piñera is out way ahead, followed by Alejandro Guillier – a centre-left independent backed by Nueva Mayoría – with Beatriz Sánchez, representing Frente Amplio, a more radical left-wing platform, coming in third place. It might therefore be expected that the rhetorical sparks would fly in exchanges between these three contenders. Yet their verbal encounters have been unremarkable. Instead the big fight has been between Piñera and Bachelet. That has a certain logic of its own. Between them they have run Chile for almost 12 years (Bachelet's first presidency was in 2006-2010; Piñera followed in 2010-2014; Bachelet was then elected for a second term, 2014-2018). If Piñera wins this time round, the pair will end up having alternated in power for no less than 16 years.

Piñera led the way saying Bachelet's key education, tax, and labour reforms will need to be rolled back. He accused her of "governing for the United Nations elite rather than for ordinary Chileans". Bachelet hit back. "Some people think linking domestic policies with the international agenda is a personal whim. Those that think that way have a limited and even childish view of the world around us," she asserted without mentioning Piñera by name. She has also defended her government's policy of promoting free education saying Piñera's emphasis on parental choice ignores the fact that in a privatised system those who cannot afford to pay do not get a choice at all.

There has been bad blood between the two for some time. At the beginning of this year when Piñera was pondering whether to stand he said the government had been running a "cowardly and systematic dirty tricks campaign" against his candidature. Under Bachelet, Piñera claims, Chile has been a good country with a bad government. Bachelet, a committed campaigner for women's rights, has not forgiven Piñera for a sexist joke on the campaign trail. Parodying earlier protests over gender violence, Piñera called on women to lie on the floor and "play dead" and for men to lie on top of them and "play alive"). Bachelet said this was an attempt to use jokes to normalise violence and discrimination against women. Someone aspiring to the presidency should be more respectful of women's struggle for equality, she said.

It can be argued that polarising the debate around Piñera and Bachelet works in Piñera's favour – giving him more media coverage and indirectly taking time and attention away from his real polling day rivals, Guillier and Sánchez. The second presidential debate, organised by the Asociación de Radiodifusores de Chile (Archi) was held on 20 October. Many of the candidates focused their attacks on Piñera, to his apparent delight – he commented later "when all the other candidates attack you, you know your campaign is going well". The more heated exchanges were over crime and drug trafficking. Piñera claimed victimisation rates had been lowest during his presidency. Partido Progresista (PP) candidate Marco Enríquez Ominami countered that he was manipulating the statistics and that the peak year for crime in Chile had been 2011, when Piñera was in office. Amid a large field, neither Guillier nor Sánchez were able to stand out as much as they would have liked. They will get a further opportunity during the third and final presidential debate, organised by the Asociación Nacional de Televisión (Anatel) and due to be held on 6 November.

## Record fall in oil production

National oil production in September reached 1.73m barrels per day (bpd), 10% less than in the previous month and the biggest monthly fall in oil production in Mexico in the last 20 years, Mexico's national hydrocarbon commission (CNH) reported this week. According to a CNH press release, the fall in production stems from the early maintenance work carried out by the state-owned oil firm, Pemex, in early September to the oil rigs operating in the Ku-Maloob-Zaap field located in the Gulf of Mexico off the coast of Campeche state, following the passage of Hurricane Harvey. The Ku-Maloob-Zaap field is Mexico's most productive oil field and the CNH noted that the stoppage of activities there led to a 16% decline in production in the area. This impacted national production as the Ku-Maloob-Zaap field has accounted for four out of every 10 barrels of oil produced in Mexico so far this year.

## MEXICO & NAFTA

### MEXICO | POLITICS

## Deadlock in the senate

**The Odebrecht scandal has hit Mexico – a little later than in other Latin America countries, but possibly with greater intensity. The government has dismissed a special prosecutor, raising suspicions it is trying to cover-up illicit campaign contributions dating back to the 2012 general elections; opposition parties are trying to block the dismissal in the federal senate and threatening to hold back approval of the 2018 budget (which must be authorised by a 31 October deadline).**

At great speed, a political crisis has developed in Mexico City, shaping up as an early test of strength over corruption issues as the parties prepare to do battle in the 2018 presidential election, now only eight months away. The crisis was detonated on 20 October when the acting attorney general, Alberto Elías Beltrán, sacked Santiago Nieto, head of his office's specialised unit on electoral crime (Fiscalía Especializada en Atención de Delitos Electorales – Fepade). Beltrán had only just taken over at the attorney general's office (PGR) after his predecessor resigned in an attempt to break a political deadlock over how Mexico should transition to a more independent role for the attorney general.

The official reason for Nieto's dismissal was that he had broken the PGR's code of conduct by giving an interview to *Reforma* newspaper two days earlier. In the interview, Nieto said he had received a letter from Emilio Lozoya, the former head of state oil company Pemex and a close ally of President Enrique Peña Nieto, seeking to put pressure on him and demanding that the prosecutor apologise and publicly affirm Lozoya's innocence. The prosecutor said this attitude reflected the impunity enjoyed by senior officials.

Based on plea-bargaining testimony from former executives at Odebrecht, Santiago Nieto had been investigating claims that Lozoya received up to US\$10m from the Brazilian construction firm, some of which was used illicitly to fund the successful 2012 election campaign by the ruling Partido Revolucionario Institucional (PRI). Anti-corruption lobby group Mexicanos Contra la Corrupción y la Impunidad (MCCI) has already claimed that during the 2012 campaign Odebrecht paid money to a company linked to Lozoya.

The battle over the prosecutor's fate quickly transferred to the Mexican senate. Under Mexican law, the senate has the power to force the reinstatement of the special prosecutor, so long as a vote on the matter is held no less than 10 working days after his dismissal – by a 3 November deadline. The opposition parties have begun organising themselves to achieve just that, but they accuse the ruling PRI and its ally, the Partido Verde Ecologista de México (PVEM), of performing underhand manoeuvres to frustrate their plans.

On paper, opposition and independent senators can muster a narrow majority – 65 votes – in the upper chamber, against 63 for the PRI and PVEM. However, there is concern that the government might induce some senators to change sides, particularly since the opposition right-wing Partido Acción Nacional (PAN) has been suffering internal dissension.

The PRI and PVEM gained a procedural advantage by proposing within the senate's top committee (Junta de Coordinación Política – Jucopo) that the matter be resolved in a single sitting and that there be a secret vote. Opposition senators countered that this was an attempt to limit debate, allow back-room deals, and protect the identity of any defectors from the opposition side. They, in turn, upped the ante by disrupting the senate



## Creative accounting

### Opposition

economists suspect the government is doing a little bit of creative accounting, trying to give itself an undeclared buffer, to allow it to cover earthquake reconstruction costs without having to cut back other budgets, something which would have a negative impact on voters in an election year. It remains to be seen whether the opposition will take a tougher line on budget matters when the bill gets to the senate.

session on 24 October and by withdrawing on 25 October, preventing the upper chamber from gathering the necessary quorum to hold a session.

The opposition is also playing another card: saying it will refuse to approve the 2018 budget (which must be voted into law by a 31 October deadline) unless a full discussion on the reinstatement of the special prosecutor is allowed. "Everything stops until they understand they cannot behave in this manner," said Senator Luis Sánchez, coordinator for the left-wing opposition Partido de la Revolución Democrática (PRD).

There are also political disagreements over next year's budget. The budget bill has been approved in the lower chamber with PRI, PAN, and PRD votes, but only after some tinkering. The economic assumptions underpinning the budget have been tweaked. A slightly weaker Mexican peso is now projected (an average of M\$18.4 to the US dollar, up from M\$18.1 previously) and the projected oil price has been edged up (to an average of US\$48.50 a barrel in 2018, up from US\$47.00). The exchange rate adjustment may be appropriate, given the fear that the North American Free Trade Agreement (Nafta) negotiations may fail, but the oil price adjustment looks over-optimistic (*see pg.11 sidebar*).

### More allegations

Lobby group Mexicanos Contra la Corrupción y la Impunidad (MCCI) has been making further allegations about the Odebrecht money trail in Mexico. It says Braskem, the Odebrecht-owned petrochemicals group, in 2012 paid US\$1.5m to Latin America Asia, a Virgin Islands-based company linked to Emilio Lozoya. Braskem at the time was building a refinery for Pemex in Veracruz, and MCCI has obtained audio recordings of Braskem director Carlos Fadigas talking of the company's close involvement in Enrique Peña Nieto's 2012 presidential election campaign. Lozoya has consistently denied any wrongdoing.

MCCI alleges that Peña Nieto met Marcelo Odebrecht, the now-imprisoned chief executive of the Brazilian company, in both 2010 and 2011, when he was preparing to run for the presidency. There was also a third meeting after Peña Nieto had won the July 2012 elections.

## MEXICO-REGION | SECURITY

### DEA sees a continuing Mexican and Colombian threat

**The top Mexican drug trafficking organisations still dominate the US market for illicit drugs, while Colombian cocaine supply is growing and the health crisis caused by the rise of synthetic opioids is intensifying. These are some of the conclusions of the US Drug Enforcement Administration (DEA) '2017 National Drug Threat Assessment' (NDTA) published on 23 October.**

The NDTA seeks to deliver an annual appraisal of the size and nature of the drug addiction problem in the US. 'Large' and 'acute' seem to be the shorthand responses to both these questions as detailed in this latest report. Presenting the report acting DEA head Robert Patterson said the opioid threat – posed by a cluster of substances including controlled prescription drugs (CPDs), fentanyl, other synthetic opioids, and heroin, has reached "epidemic levels" and is now impacting "significant portions of the United States". Drug poisoning has become the leading cause of injury and death in the country. Every year since 2011 deaths of this type have outnumbered death by firearms, motor vehicle crashes, suicide, and homicide.

Various analysts have highlighted a macabre shift in the death toll caused by the 'war on drugs'. While a decade ago most deaths occurred south of the US border in the struggle between law enforcement and the drug producing and trafficking organisations, the US is now beginning to see its own share of



## Brownfield

Specialist website *Insight Crime* has spoken of confusion and lack of consensus on drug policies within the Trump administration. William Brownfield, the top US diplomat in charge of drug policy (Assistant Secretary of State at the Bureau of International Narcotics and Law Enforcement), and a long standing advocate of security cooperation with Mexico and Colombia, stepped down last month and his successor has not yet been named. Shortly after leaving his post Brownfield, a former US ambassador to Colombia, described Trump's threat to decertify the country as "very stupid".

casualties rising north of the border – largely because of deaths through drug overdoses. Deaths through drug poisoning in the US totalled 52,404 in 2015, three times the number in 2000, and more than double the number of homicides in the same year.

Latin American cartels – called transnational criminal organisations (TCOs) by the DEA – remain a central part of the drug supply chain. Mexico is the primary source for heroin consumed on the US market, and is now closely involved in mixing it with fentanyl. Colombia is the primary source for cocaine consumed in the US, and production and shipments have been increasing.

The DEA says that the Mexican TCOs are "the greatest criminal drug threat to the United States" and that no other group is positioned to challenge them. They control smuggling corridors across the US Southwest border and manage or influence retail distribution networks. They have recently expanded their presence, particularly in the New England area.

The top Mexican TCOs operating in the US are the Sinaloa-Pacífico and Cartel Jalisco Nueva Generación (CJNG). The DEA notes that while the cartels have been fighting among themselves for control of territory and business in Mexico, in the US they strive to maintain low visibility and avoid inter-cartel violence, so as to evade detection.

The Colombian TCOs tend to ship cocaine to the US via Mexico, though some of the smaller ones "maintain direct cocaine and heroin pipelines into the US through couriers and maritime trafficking, as well as air cargo on commercial flights". The main Colombian cartel active in the drug trade is the Clan Golfo (also known as Los Urabeños). A range of other, smaller criminal bands (bandas criminales or bacrim) are also active.

The DEA highlights the Fuerzas Armadas Revolucionarias the Colombia (Farc) guerrillas as a major drug trafficking force. In the peace settlement with the Colombian government which the Farc signed in November last year, it committed, among other things, to stop drug production and trafficking. However, the DEA takes the view that "some segments of former Farc fighters are likely to continue to engage in drug trafficking and other criminal activity, but the degree to which this occurs may depend on the effectiveness of the peace accord's implementation".

What NDTA does not do is provide an insight into the likely evolution of US policy on drug trafficking under President Donald Trump, which remains something of an unknown quantity. Relations with both Mexico and Colombia have been strained as Trump has accused them of not doing enough to fight drugs and crime. In response to rising cocaine production the US President has threatened to "decertify" Colombia, in effect declaring it a major drug producing and trafficking country, which would trigger reductions in aid.

---

## TRACKING TRENDS

**MEXICO | Disbursement of earthquake relief funds.** Mexico's finance ministry (SHCP) reported this week that up to 18 October it had disbursed M\$6.84bn (US\$360m) in emergency aid to the states that were affected by the major earthquakes that shook central Mexico in early September.

An SHCP statement said that it had distributed M\$2.45bn to the state of Oaxaca; M\$1.68bn to Chiapas; M\$688m to Morelos; M\$699m to Mexico City (CDMX); M\$570m to Puebla; M\$384m to the Estado de México (Edomex); M\$312m to Guerrero; M\$71m to Tlaxcala; and M\$21m to Veracruz. The statement noted that all the information regarding the distribution of the emergency relief funds has been made publicly available on its budgetary transparency portal (PTP) online platform to help ensure the transparency of the allocation of the relief resources.

**Minustah leaves behind a mixed legacy**

“A testament to Haiti’s progress over the past 13 years”. This is how United Nations (UN) Secretary General António Guterres described the closure of the UN Stabilisation Mission in Haiti (Minustah) which ended its mandate on 15 October. Minustah has been replaced by another mission – the smaller UN Mission for Justice Support in Haiti (Minujusth) – which has an initial six-month mandate to assist the government to “strengthen rule of law institutions; further support and develop the National Police; and engage in human rights monitoring, reporting, and analysis”. While the UN has hailed Minustah’s impact in restoring stability, human rights groups raise doubts about its legacy.

In her final briefing to the UN Security Council (UNSC) as Minustah’s head, on 12 October, Sandra Honoré said “Haiti has seen a significant turnaround from profound instability, widespread political violence, and a climate of lawlessness that in 2004 impacted the every-day lives of millions of Haitians”. She said: “Today the Haitian people enjoy a considerable degree of security and greater stability; political violence has diminished; armed gangs no longer hold the population hostage, also thanks to the work of the national police – now 14,000 strong – which has grown significantly in numbers and capacity”.

In a report presented to the UNSC on 5 October, Guterres echoed this progress. It highlights that “many setbacks and challenges notwithstanding, including the disaster caused by the January 2010 earthquake and at least six major hurricanes, substantial headway was made, and today the Haitian people enjoy a considerable degree of security and greater stability.” The same report also underlines that “support for elections has contributed to three peaceful presidential handovers, including from one democratically elected President to another from the opposition in 2011, and to President [Jovenel] Moïse in February 2017. All three branches of power are now largely functioning.”

Human rights groups like the US-based Institute for Justice & Democracy in Haiti (IJDH) and its local partner, Bureau des Avocats Internationaux, raised doubts about Minustah’s legacy however. In a statement, IJDH and BAI point to Minustah’s responsibility for the cholera outbreak which has killed 9,700 people and infected over 815,000 others since 2010. They note the cholera outbreak was as a result of “improper MINUSTAH waste disposal that contaminated the Artibonite river system” and slammed the UN’s response – “denial, obstruction, and a refusal to meet with or remedy victims”. The statement also points out that it was not until December 2016 that “the UN announced its ‘New Approach’ to cholera in Haiti,” publicly apologising and promising US\$400m for cholera treatment and remedies for the hundreds of thousands of victims, although as of October 2017 only 3% of the total has been raised. The statement also cites as cause for concern “widespread sexual exploitation and abuse” by Minustah peacekeepers.

**Homicides and unrest**

The 5 October report to the UNSC cites statistics collected by the national police and Minustah for the period from 1 July to 30 September 2017 which indicated a decrease in homicides, with 181 victims, down from 259 during the previous quarter. As regards unrest, the same report also notes a total of 162 public protests were reported, of which 39 (24%) saw some level of violence. This represents a decrease compared with the 264 incidents reported during the previous quarter, of which 73 (28%) had been violent.

**UN acknowledges ‘shadows’**

The 5 October report presented to the UNSC itself

acknowledges that the outbreak of cholera “continue[s] to cast a shadow over the relationship between the United Nations and the Haitian people” as well as “instances of sexual exploitation and abuse that have occurred during the deployment of MINUSTAH”. The report goes on to highlight that the UN “deeply regrets” such instances and “is strongly committed to supporting victims of such exploitation and abuse”.

## CSJ votes not to investigate deputies

On 12 October, the supreme court (CSJ) voted not to investigate the 107 national deputies who had approved changes last month to the criminal code (since repealed). Among other things, these would have made accountants of political parties responsible for any irregularities in campaign financing rather than the general secretaries. The case had been filed by human rights ombudsman Augusto Jordán Rodas Andrade and civil-society leaders like Helen Mack and Manfredo Marroquín, the head of Acción Ciudadana, the local branch of international NGO Transparency International (TI). In its ruling, the CSJ found that there was no constitutional breach by the legislators' actions.

## Fallout from political crisis continues

Standard & Poor's (S&P), the international credit ratings agency, last week announced that it had lowered its long-term rating on Guatemala to 'BB-' from 'BB' on "lower economic growth prospects and recurrent political instability". The move is the latest sign of concern about the impact of the political crisis triggered by calls at the end of August by the International Anti-Impunity Commission in Guatemala (Cicig) and the attorney general's office (AG) for President Jimmy Morales to be investigated over corruption – since rejected by the legislature. The downgrade came less than a week after the supreme court (CSJ) voted not to investigate Morales over a second case – his receipt of a special bonus from the defence ministry which he has since returned.

On 11 October the CSJ announced its latest decision in relation to a request filed by AG Thelma Aldana on 27 September over the monthly Q50,000 (US\$6,859) 'bonus for extraordinary responsibility' paid to President Morales by the armed forces, which was not officially part of his salary package. The bonus first came to light on 12 September when the comptroller general's office had revealed that it was requesting further information about it [[WR-17-39](#)]. Announcing the ruling, CSJ spokesperson Ángel Pineda said that the comptroller general had issued a resolution which had presented Morales with two options: return the bonus or face legal action. As he had returned the bonus, the issue had been resolved.

With the CSJ also shelving a request against the 107 national deputies who had voted in favour of a legislative initiative (since repealed), which would have further weakened anti-corruption legislation (*see sidebar*) [[WR-17-36](#)], on 19 September S&P issued a press release announcing its decision. It also amended its Banking Industry Country Risk Assessment (BICRA) on Guatemala to group '7' from group '6', revising downward the anchor for banks operating in Guatemala to 'BB' from 'BB+'. According to the same statement, S&P lowered its long-term issuer credit ratings (ICRs) on Banco Industrial SA (BI), Banco G&T Continental SA (Banco G&TC), and Banco Agromercantil de Guatemala SA (BAM) to 'BB-' from 'BB'. At the same time, it affirmed its short-term ICRs on the banks at 'B'. In its statement S&P said the decision stemmed from "persistent political instability [which] has continued to pressure the country's economic growth". It also claims that this slower real GDP growth rate – projected at about 3.3% in 2018 and 2019 – "will continue to be insufficient to reverse the country's rising poverty level and to significantly increase its low GDP per capita, at [US]\$4,200 in 2016".

These concerns about the economic impact of the political crisis were also flagged up in a report released on 2 October by the central bank (Banguat). The Banguat report showed that business confidence in the economy had dropped to 25% down from 44.45% in August.

### Row over Velásquez's visa

Also indicative of tensions between the executive and Cicig, on 10 October, the foreign ministry notified Iván Velásquez, the head of Cicig, that his visa had been revoked on procedural grounds. The announcement, which followed President Morales' unsuccessful attempt to expel Velásquez at the end of August, aroused concerns from various sectors. Six days later the foreign ministry announced that it had renewed the visa but issued a warning to Velásquez, urging him not to "interfere in domestic affairs". This led the constitutional court (CC) to order the foreign ministry to revoke the warning which it did on 20 October.



### Quotes of the week

“Today was a victory for the belief that we can change history forever. We want to achieve something big, a country dedicated to doing things well. And this is just the beginning, we have just started transforming Argentina...Argentines are unstoppable.”

*Argentina's President Mauricio Macri.*

“We consider this action an act of treason and deceit against the majority of Venezuelans that this past 15 October, in fraudulent elections, chose them as representatives of the Mesa de la Unidad Democrática to continue fighting in every field against the dictatorship and its tricks.”

*A statement by Venezuela's Voluntad Popular party, a member of Mesa de la Unidad Democrática (MUD) main opposition coalition, on the decision by four MUD governors-elect to swear allegiance to the national constitutional assembly convened by the government led by President Nicolás Maduro.*

“Sebastián Piñera and the Nueva Mayoría are not the same thing, but regrettably today I think they have the same answers to the issues that concern Chilean families.”

*Beatriz Sánchez, presidential candidate of Chile's radical left-wing Frente Amplio opposition coalition, criticises the government plans of her counterpart from the centre-right opposition Chile Vamos coalition, former president Sebastián Piñera (2010-2012); and those of the candidate of the leftist ruling Nueva Mayoría coalition, Alejandro Guillier.*

### Ecuador taps international capital markets

Ecuador's economy ministry announced this week that it had successfully placed US\$2.5bn in sovereign bonds in international capital markets. A ministerial statement said that the 10-year bonds offered a yield of 8.87% and were oversubscribed with demand reaching US\$8bn. The ministry pointed out that this is the lowest yield offered by Ecuadorean bonds since the country returned to the international capital markets in 2014 evidencing the confidence that investors now place in the Ecuadorean economy. Highlighting this, the ministerial statement notes that institutional investors from the US, Europe, Asia, and other Latin American countries were among those who purchased the bonds. The ministry added that it had also secured a US\$500m loan from Goldman Sachs.

According to the statement, the funds raised by the bond issue and the loan will be used to finance priority investment projects included in Ecuador's 2018 budget designed to “reactivate Ecuador's economy”. Providing an indication of what these priority investment projects are, on 24 October the national planning and development secretariat (Senplades) and the transport & public works ministry (MTOP) released a new report entitled ‘the public works situation and roadmap report’, which found that there are 640 incomplete public-works infrastructure projects that the incumbent government led by President Lenín Moreno has inherited from the previous administration led by Rafael Correa (2007-2017).

According to the report, the Moreno administration will need to invest some US\$1bn to complete these works, originally valued at US\$2.13bn and in which US\$3.97bn has already been invested. Noting that the projects have not been completed for various reasons including the termination of contracts, lack of funds, and technical failures, MTOP head Paúl Granda said that 111 of these projects remain active and that in the first nine months of the year the Moreno administration has advanced 52% them. Granda added that of the 58 works that have been reactivated by the Moreno administration, 23 had financial, administrative, legal, or technical problems, while 30 had been completed but had not been fully paid for.

### LatinNews Daily

**LatinNews Daily** is an essential briefing tool for anyone with a serious interest in Latin or Central America and the Caribbean and is relied upon by thousands of LatAm professionals world-wide.

It is the definitive English language resource delivered via email at 0800 EST outlining all key developments throughout the region with expert analysis on the likely impact of each development.

**LatinNews Daily** costs just \$1,785 USD or £1,100 GBP for the year. For a 10-day free trial register at [www.LatinNews.com](http://www.LatinNews.com), or for further information please contact Maria Isotalo via our online form at: [www.latinnews.com/contact-us](http://www.latinnews.com/contact-us).

**LATIN AMERICAN WEEKLY REPORT** is published weekly (50 issues a year) by **Latin American Newsletters**, Hamilton House, Fourth Floor, Mabledon Place, London, WC1H 9BB, England. Telephone +44 (0)203 695 2790, Email: [subs@latinnews.com](mailto:subs@latinnews.com) or visit our website at: <http://www.latinnews.com>

**EDITOR: JON FARMER.** Subscription rates will be sent on request. Overseas subscription sent by airmail. Printed by Quorum Print Services Limited, Unit 3, Lansdown Industrial Estate, Gloucester Road, Cheltenham, Glos. GL51 8PL **COPYRIGHT © 2017** in all countries. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, electrical, chemical, mechanical, optical, photocopying, recording or otherwise, without the prior written permission of the publishers. Registered as a newspaper by Royal Mail. **REFERENCES:** Back references and cross-references in the current series will be made thus: WR-17-01 will indicate Weekly Report, 2017, issue 1.