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## CONTENTS

<b>LEADER</b>	<b>1</b>
Placatory Piñera returns for second spell in power	
<b>ANDEAN COUNTRIES</b>	
<b>PERU</b>	<b>3</b>
Kuczynski staring down the barrel	
<b>COLOMBIA</b>	<b>5</b>
Santos still striving for total peace	
<b>BRAZIL &amp; SOUTHERN CONE</b>	
<b>BRAZIL</b>	<b>6</b>
Shining a light on construction cartel	
<b>BRAZIL</b>	<b>7</b>
Judgement day approaches for Lula	
<b>ARGENTINA</b>	<b>8</b>
Pension reform approved at political cost	
<b>PARAGUAY</b>	<b>10</b>
Cartismo defeated in party primaries	
TRACKING TRENDS	
<b>MEXICO &amp; NAFTA</b>	
<b>MEXICO</b>	<b>12</b>
Meade and López Obrador square up	
<b>CENTRAL AMERICA &amp; CARIBBEAN</b>	
<b>HONDURAS</b>	<b>14</b>
Crisis intensifies as Hernández declared victor	
<b>COSTA RICA</b>	<b>15</b>
Candidates unveil manifestos	
<b>POSTSCRIPT</b>	<b>16</b>
Venezuelan authorities strengthen democracy in unusual way	
Quotes of the year	

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## Placatory Piñera returns for second spell in power

Chile's see-saw politics since 2006 will continue after Sebastián Piñera won the second round of presidential elections on 17 December. On 11 March next year President Michelle Bachelet will hand over power to Piñera for the second time, and Chile will once again shift from the Left to the Right of the political spectrum. By 2022 Bachelet and Piñera will have held sway in Chile for 16 years between them. Piñera's most pressing challenge upon taking office will be forging a working relationship with a congress in which his right-of-centre coalition, Chile Vamos, lacks a majority. He will also need to find a better balance in his cabinet between technocrats and professional politicians than he managed at the start of his first term in office in 2010 when his government was repeatedly caught reacting to events.

The pollsters were wrong once again in Chile. Having mistakenly predicted that Piñera would win by a decisive margin in the first round, they forecast a technical tie in his run-off against Alejandro Guillier of the ruling left-wing coalition Nueva Mayoría. In the event Piñera won at a canter. He finished with 55% of the vote to 45% for Guillier, who won in just the two most southernmost of Chile's 15 regions: Aysén, and Magallanes y Antártica, where just under 100,000 people voted in total. Piñera even won in Guillier's native Antofagasta by more than seven percentage points.

It was noteworthy that Piñera won in by far Chile's most populous region – metropolitan Santiago – by 53%-47%, or 1.5m to 1.32m voters. Guillier had been squeezed into third place here in the first round by Beatriz Sánchez, the presidential candidate of the radical left-wing coalition Frente Amplio (FA). Combined with that of Sánchez, his first round total would have comfortably overhauled Piñera. But this did not transpire despite Guillier's moving further to the Left in the hope of courting her supporters.

Past precedent shows that votes do not transfer en masse from one candidate to another in the way that Guillier had hoped. In part this could be attributed to the late and mealy-mouthed endorsement of Guillier by senior FA leaders, who pointedly said they would vote against Piñera and not for Guillier (an important distinction despite amounting to the same thing) before providing staunch opposition in congress. This was insufficient to galvanise the 20% of voters who backed Sánchez in the first round to vote for Guillier. It also suggests that many of the younger voters who cast their ballots for the FA in the first round have undefined ideological convictions and, above all, wanted to vote against the unpopular incumbent government.

By moving further to the Left, Guillier let Piñera occupy the centre ground. Middle class voters were more inclined to accept Piñera's moderate discourse in the closing stages of the campaign, while Guillier's call for picking the pockets of the rich to create a more equal society made him

## **Piñera's cabinet**

Sebastián Piñera is expected to reveal his cabinet in the first half of January. He will need to strike a balance to satisfy the different parties within the Chile Vamos coalition, rewarding them with posts commensurate with their size. The centre-right Renovación Nacional (RN) will control more seats in total in the lower chamber and the senate, with 43, than the conservative Unión Demócrata Independiente (UDI), with 41, for the first time. The centre-right Evolución Política (Evópoli), led by Felipe Kast, won eight seats in total in the two chambers.

vulnerable to accusations of ushering in “Chilezuela” [WR-17-48]. This may have contributed to a higher turnout: there were 300,000 more voters than in the first round, bringing the total to just over 7m people. Piñera won 3.8m of some 7m votes cast, the most ever for a candidate on the Right, and over 600,000 more than Guillier.

Guillier took some of the tension out of a polarising campaign by swiftly acknowledging Piñera’s “impeccable and solid victory” and wishing him all the best: “When the president of Chile fares well, all Chileans fare well”. Piñera and Guillier met at the end of the night and embraced for the cameras; Bachelet called Piñera to congratulate him on his victory live on television.

Guillier admitted that it was “a very difficult defeat” to take and urged “the reconstruction of progressive politics”, while promising to provide constructive opposition. Guillier’s 3.16m votes marked the worst result of a leftist candidate in a run-off and it could herald a political realignment if not the disbandment of the Nueva Mayoría, which no longer has a clear leader. The Partido Comunista de Chile (PCCCh), which won eight seats in the lower chamber of congress, could reach out to the FA, which won 20. As the FA tries to consolidate as a permanent political force, the centre-left Democracia Cristiana (DC) could seek to redefine itself outside of the Nueva Mayoría, ending years of strained relations.

Piñera’s victory speech focused on unity, moderation, and social inclusion. “Long live difference and pluralism of ideas...we can be adversaries but never enemies,” Piñera said. “The future is always more important than the past,” he added. “Chile needs accords more than confrontation because this is how countries progress upon solid foundations.” He also promised to seek the “wise counsel and valuable experience” of all of his predecessors (he met former president Ricardo Lagos [2000-2006] for two hours on 19 December) and to pursue “national accords to confront the big issues facing Chile”.

Piñera’s conciliatory discourse was pragmatic. He will need the support of other political parties to advance his legislative agenda. Chile Vamos will have the largest presence in the lower chamber, with 73 of 155 seats, and in the senate, with 19 of 43 seats, but it will lack a majority in either. It will need five additional votes in the lower chamber to obtain a simple majority and three in the senate, although these can only be obtained through an accommodation with the FA, which will be difficult, the Nueva Mayoría (with 43 and 15 seats respectively) or the DC (13 and six). All the focus is naturally on the DC but Piñera has consistently failed to court the party, of which his father José Piñera Carvallo was a founding member, despite several attempts over the years.

Lacking the political support, and unwilling to alienate moderates, Piñera is unlikely to try to roll back Bachelet’s progressive initiatives, such as the abortion law, despite the admonition of Guillier and the FA. Instead his focus will be on market-friendly economic reforms, to encourage investment and dynamise the economy, which has foundered under Bachelet. Piñera will be judged on this. If the economy fails to pick up his political capital will be swiftly eroded. He will also need to manage social tension. The root cause of the massive student protests of 2011, which gave rise to the FA, has yet to be resolved in spite of Bachelet’s partial education reform, and further pension protests are brewing.

While the appearance of these domestic challenges will be familiar for Piñera, regional politics have acquired a very different complexion. When Piñera came to power in 2010 he enjoyed little ideological affinity with other heads of state in Latin America. Fast-forward to the present and he will have a far greater rapport with many of his regional peers, above all with his fellow businessman at the helm on the other side of the Andes: Argentina’s President Mauricio Macri.

**Kuczynski staring down the barrel**

Barring eleventh-hour legal action or a change of heart by sufficient deputies in congress, Peru's President Pedro Pablo Kuczynski will not see in 2018 in power. In the most serious political crisis in Peru since 2000, Kuczynski faces being ousted for "permanent moral incapacity" for concealing the truth about consultancy services offered by a national firm he owns to the Brazilian construction company Odebrecht over a decade ago when he was a serving cabinet minister. Kuczynski has made several televised appearances this week protesting his innocence and denouncing a coup attempt. There is some evidence that he is swaying a number of deputies, but it might not be enough to save him. A legal appeal to forestall the vote in congress, meanwhile, has gone nowhere.

Since taking office in July 2016, President Kuczynski has been subject to the whims and caprice of the right-wing opposition Fuerza Popular (FP, Fujimoristas), which holds a majority in the 130-seat congress and has routinely censured his cabinet ministers to keep him in check. Now the FP is going for the jugular. That, at least, is how the government is portraying it. Congress voted overwhelmingly on 15 December in favour of a debate on whether to remove Kuczynski from power for "a lack of truth in his declarations" with relation to payments of US\$782,000 made to his consultancy firm Westfield by Odebrecht between 2004 and 2007 while he was economy minister and later prime minister in the administration led by Alejandro Toledo (2001-2006). The FP backed the motion to hold the debate, but it was also tabled by the left-wing opposition Frente Amplio (FA) and others.

The FP's 71 votes (70 without Kenji Fujimori who opposes Kuczynski's impeachment) will go a long way towards the total of 87 needed to remove Kuczynski from power. The FP's ally Partido Aprista Peruano (PAP) could supply a further five and the FA ten. Along with two independents who have confirmed their support that makes 87 on the nose, assuming all of the deputies turn up for the vote, which is scheduled for 21 December.

More deputies could back Kuczynski's impeachment. César Acuña, the leader of the Alianza para el Progreso (APP), which has nine deputies, urged Kuczynski on social media last week to resign "for the good of democracy...or face removal from power". His son, Deputy Richard Acuña, tempered this stance by calling for Kuczynski to be granted due process, but neither the APP nor the centrist opposition Acción Popular (AP) nor the left-wing Nuevo Perú (NP) have offered a firm endorsement of Kuczynski. His ruling Peruanos por el Cambio (PPK) has made a last-ditch appeal to them to "defend democratic values and the rule of law: say 'No!' to the Fujimorista coup d'état".

PPK has calculated that the only way to save Kuczynski is to persuade the other opposition parties that the vote is part of the FP's grand plan to subvert democracy in Peru. The party has sought to buttress its case by citing the FP's simultaneous "attacks on two fundamental democratic institutions: the constitutional court and the attorney general's office". The trouble is that while all of the other opposition parties have roundly condemned the FP's move against three constitutional court magistrates and the attorney general Pablo Sánchez (who, ironically enough, is investigating the FP's leader Keiko Fujimori for allegedly receiving bribes from Odebrecht), they are less convinced that the move against Kuczynski is a strike at the heart of Peru's democracy.

In a televised interview on 17 December with a panel of five journalists, Kuczynski apologised to the public for having failed to "explain well things

**Legal action**

Two Peruvian lawyers filed a complaint on 18 December in an attempt to stop the debate in congress on whether to impeach President Kuczynski. Francisco Dios and Juan Sánchez Chiang, neither of whom represent Kuczynski, argued that congress had failed to adhere to established legislative procedure in contravention of the president's fundamental rights. The legal action has not gone anywhere.

## **Vice presidents refuse to resign**

“We are going to ensure this government continues in power. Peru elected three of us and the two vice presidents will defend our mandate,” the second vice president Mercedes Aráoz said this week. “We want our economy to keep growing, we want to maintain democracy, we want to avoid dictatorial actions”. If Aráoz and the first vice president Martín Vizcarra refused to resign it would mean that there would be no fresh elections.

that happened more than 10 years ago”, insisting that “I have not lied; I am not corrupt”. But Kuczynski failed to provide an explanation to prove his innocence. Kuczynski denied conflict of interest but he did not transfer ownership of Westfield while he was serving in Toledo’s cabinet. Kuczynski claimed that he ceded full control of the running of the firm to his Chilean business partner Gerardo Sepúlveda but he could not produce any documents to prove this. Kuczynski also claimed to know nothing about Westfield’s contracts with Odebrecht but again there is only his word for this. Kuczynski did acknowledge that as a shareholder he earned “some money” from Westfield’s activities. Even his defence minister, Jorge Nieto, admitted that after listening to his explanations for many hours there were “grey areas”.

Discovering the truth would take more than the six days given by congress to Kuczynski to prepare for his one-hour defence to the country’s deputies on 21 December. Kuczynski is right in claiming that “they are trying to carry out an express impeachment,” without due process, but it is not technically “an attack on the constitutional order,” especially as the FP is not going it alone. The constitution does not make too many demands on congress to reach the verdict of “permanent moral incapacity”; it is essentially what 87 deputies decide.

There was, of course, far more evidence against former president Alberto Fujimori (1990-2000), when he became the third Peruvian head of state to be removed from power on the grounds of “permanent moral incapacity” (he had also fled to Japan and resigned by fax before the vote was held). By comparison with Fujimori’s systematic plundering of the state, this is very small beer indeed, but Kuczynski is politically weak, with few allies.

The biggest problem for Kuczynski is not that he has been unable to provide documents proving the authenticity of Westfield’s services supplied to Odebrecht but that he swore over and over again that he had no ties to the Brazilian firm. He also refused to appear before the congressional commission investigating Odebrecht-related payments on the grounds that it was a flagrant attempt by the FP to tarnish his image.

Kuczynski made another appeal to the public and political opposition on 20 December, denouncing “a coup disguised by ostensibly legitimate legal interpretations”. He maintained that it was “not just a political coup but an economic coup” that would have “terrible consequences for the domestic economy”. He claimed to be the victim of the FP’s insatiable lust for power: “I was warned but I didn’t listen to advisers. I opted for dialogue not confrontation. Now we are seeing the consequences of this decision”.

There is some evidence that Kuczynski’s appeals are winning over the public and, crucially, deputies in congress. An opinion poll by GFK for national daily *La República* published on 20 December showed that 71% of respondents feel that the staging of the vote to remove Kuczynski from power is too hasty and that further investigations should be carried out. Meanwhile, the APP appears to be wavering after its leader’s emphatic call for Kuczynski to resign or face impeachment. On 20 December the spokesman of the APP in congress, Marisol Espinoza, denounced “a systematic coup against governability in the country”. The left-wing Nuevo Perú also raised concerns about the FP’s high-handedness and poor democratic credentials.

The FP spokesman in congress, Daniel Salaverry, has sought to allay fears about the party’s intentions by stressing that it would “respect the constitutional order of succession and support the first vice president to assume office”. This would mean Martín Vizcarra donning the presidential sash if Kuczynski were impeached. His would be an even weaker government. Vizcarra was forced to resign as transport and communications minister in May this year after a vote of censure in congress driven by the FP.

## Santos still striving for total peace

President Juan Manuel Santos announced the appointment this week of Gustavo Bell as the new chief negotiator in peace talks with the Ejército de Liberación Nacional (ELN). Bell will assume the position on 9 January. Santos said the government was working to extend the bilateral ceasefire with the ELN, which is scheduled to expire then, and introduce some new conditions. Santos also welcomed the announcement of an open-ended unilateral ceasefire by Colombia's largest neo-paramilitary group, Clan del Golfo, which is seeking to negotiate its surrender.

Bell replaces Juan Camilo Restrepo, who stepped aside at the start of December, ostensibly for personal reasons although there was widespread speculation that he had grown frustrated with the lack of progress in the talks. Bell, a journalist and historian, served as ambassador to Cuba during the recent peace process with the Fuerzas Armadas Revolucionarias de Colombia (Farc). He was vice president and defence minister under former president Andrés Pastrana (1998-2002), who has been a fierce critic of the peace process with the Farc in Cuba. The ELN issued a statement welcoming Bell's appointment and expressing its hope that it would spur progress towards "a complete peace with social justice".

The Clan del Golfo is keen to be part of this "complete peace". It released an eight-point statement on 13 December announcing a unilateral ceasefire in a renewed bid to negotiate with the Santos administration. Santos hailed the "positive" announcement but insisted that there would be no let up by the security forces (*see sidebar*).

The Clan del Golfo sought to portray itself as a political actor in the statement. In the first point it argued that "despite the lack of a legal framework for its collective handover [surrender]" it was committed to ending the violence in Colombia and embracing a national reconciliation process because "the public deserves definitive peace". It urged human right groups, the Church, the media, and the international community to verify its compliance with the proposed unilateral ceasefire. It also encouraged other illegal armed groups to join the ceasefire, specifically the ELN, alluding to "areas where for territorial circumstances we are confronting each other", especially in the south-western department of Nariño and the north-western department of Chocó [[WR-17-48](#)].

Despite the language employed in the statement by the Clan del Golfo, the government is adamant that it is not a political actor and that as such there will be no negotiations and no offer of amnesties for any of its members. A bill outlining the juridical framework for collectively submitting to justice members of the Clan del Golfo, and other drug trafficking organisations (DTOs), who surrender was sent to congress in late October. But it was not approved under the fast track mechanism to expedite peace-related legislation through congress. With deputies and senators set to be distracted by elections in the first half of 2018 it might not be approved before Santos leaves office next August.

Santos alluded to the preparation of various decrees, which could enact parts of this legislation without the need for congressional sanction. The national daily *El Tiempo* published a piece in October claiming that the bill contained the offer of a reduction in prison sentences of up to 50%, special prison conditions, no extradition, and other benefits depending upon the quality of information supplied to the authorities, such as full disclosure of drug-trafficking routes and the location of drug laboratories. The Clan del Golfo made no mention of drug-trafficking in its statement, or who exactly would be surrendering given its atomised nature. This is crucial because the Clan del Golfo makes extensive use of sub-contractors who could simply inherit control of the command structure after any surrender.

### Blows sustained by Clan del Golfo

In September, the leader of the Clan del Golfo, 'Otoniel' (Dairo Antonio Úsuga), sued for peace, days after his number two, Gavilán (Roberto Vargas Gutiérrez), was killed in an operation by the security forces. The latest peace offer comes shortly after the number three in the command structure, 'Inglaterra' (Luis Orlando Padierma), was killed, in addition to some large drug seizures at the neo-paramilitary group's expense [[WR-17-45](#)].

**Shining a light on construction cartel**

Executives from one of Brazil’s biggest construction companies, Camargo Corrêa, have admitted to being part of a cartel scheme to rig public tenders for metro works in seven different states plus the Distrito Federal (DF). This is the latest twist in Brazil’s long-running anti-corruption investigation ‘Operation Car Wash.’

Information about the cartel comes from a leniency deal signed between Camargo Corrêa, Brazil’s anti-trust regulator Cade, and the public ministry of the state of São Paulo (MPF-SP). This shows how a group of construction companies allegedly engaged in monopolistic practices to fix prices, divide up the market between cartel members and share sensitive information about public works.

The cartel was running for over 16 years, but its activity increased substantially in the years preceding Brazil’s hosting of the 2014 World Cup and the 2016 Summer Olympic Games. Once again, this exposes the rampant corruption which accompanied the mainstream public events and helped tip Brazil into an economic crisis.

Andréia Sadi, an investigative reporter for local daily *GloboNews*, says the cartel’s activity can be classified into three main phases since its inception in 1998:

Phase	Dates	Companies Involved	What they did
1. “The historic phase”	1998-2004	The “big three”: - Camargo Corrêa - Andrade Gutierrez - Odebrecht	Divvied up major infrastructure projects between the three of them.
2. “The consolidation phase”	2004-2008	The “Tatu Tênis Club” - Camargo Corrêa - Andrade Gutierrez - Odebrecht - OAS - Quieroz Galvão	Members of the “Tatu Tênis Club” held secret meetings to discuss ways to win new infrastructure projects. The name of the cartel comes from the Portuguese word “tatu” (tunnel borer), in reference to the machinery used to make metros. Businessmen involved in the scheme were each given a code-name after a famous tennis player.
3. “The implementation phase”	2008-2014	Same as above	The group held at least 27 meetings to exchange information that favoured the cartel. During this period, the group became more active thanks to increased demand for public works in the run up to the 2014 World Cup and 2016 Olympic Games.

**Source:** Based on documents seen by news site G1 from a leniency agreement with Camargo Corrêa.

**Odebrecht leaves jail**

One of the key protagonists in Brazil’s biggest corruption scandal, Marcelo Odebrecht, the former chief executive of the eponymous construction company, has left jail. After two-and-a-half years in a 7m<sup>2</sup> prison cell, he will carry out the rest of his 10-year-sentence under house arrest in a 3000m<sup>2</sup> abode in the Morumbi district of São Paulo.

## Bad week for President Michel Temer

President Michel Temer was forced to stomach a series of setbacks this week. After the federal congress failed to pass his landmark pensions reform, a judge from Brazil's supreme court (STF) overturned an austerity measure to cap the salaries of civil servants. To make matters worse, he was briefly hospitalised on 13 December to undergo urinary tract surgery.

In an interview with news site *GI*, representatives from Odebrecht and Andrade Gutierrez said they were collaborating with the judiciary and apologised for errors committed in the past. OAS and Quieroz Galvão have not commented publicly on the ongoing investigations.

If Cade finds the construction companies guilty, they could be fined up to 20% of their revenues. Individuals could also be penalised with fines of between R\$50,000 (US\$15,186) and R\$2bn (US\$607.5m).

### Political repercussions

At different points, the cartel was operating in the states of Ceará, Minas Gerais, Paraná, Rio de Janeiro, Rio Grande do Sul, and São Paulo, and in the DF. This raises questions about whether local authorities knew about it and if so, why they did not stop it.

On 19 December, Brazil's supreme court (STF) confirmed that Senator José Serra, the foreign minister, Aloysio Nunes, and the science, technology and innovation and communications minister, Gilberto Kassab, were under investigation for allegedly benefitting financially from the cartel's operations, which they deny.

## BRAZIL | POLITICS

### Judgement day approaches for Lula

**Ahead of his next court appearance, former president Lula da Silva (2003-2011) from the leftist Partido dos Trabalhadores (PT) is appealing to the public to support his bid to run again in the 2018 general election. Despite being the best-placed candidate in early polls, ongoing legal troubles could quash his future presidential ambitions.**

Lula's hearing has been scheduled for 24 January 2018 at appeals court TRF-4. On that day, he will fight to overturn a ruling by the federal judge Sérgio Moro for charges of passive corruption and money laundering. Lula stands accused of taking R\$3.7m (US\$1.1m) in bribes from the construction company OAS to pay for a luxury beachside apartment in Guarujá, São Paulo state.

If convicted by the TRF-4, Lula could be barred from competing in the upcoming election under Brazil's 2010 'clean slate law', which was ironically approved under his own administration. But the former president still has a number of cards up his sleeve. Firstly, Lula's lawyers have asked to postpone the hearing, given the charges against him have been processed at "record" speed, giving their client insufficient time to prepare. Secondly, Lula can appeal the TRF-4's verdict to a higher tribunal such as the superior tribunal of justice (STJ) or Brazil's supreme court (STF).

Besides defending his name in court, Lula is determined to appeal to the people. The PT will stage protests outside the court during his hearing on 24 January in Porto Alegre, the capital of the southern state of Rio Grande do Sul, and it warned about the risk of a "popular rebellion" if Lula's name does not appear on the ballot paper, according to a party resolution issued on 16 December.

Such methods appeal to PT militants. But the PT's Lula-centric focus appears to have alienated other parties, leading to a fragmentation of the Left. The Partido Comunista do Brasil (PCdoB), for instance, has broken off its 28-year alliance with the PT to launch its own candidate next year. Other historical allies who supported the PT during the impeachment of former president Dilma Rousseff (2011-2016), such as the Partido Democrático Trabalhista (PDT) and Partido Socialismo e Liberdade (PSOL), are also keeping their distance. This could leave the PT isolated if Lula is prevented from running.

## Macri denounces orchestrated violence

On 19 December, President Macri defended the approval of his government's pension reform bill and condemned the violent protests organised against the initiative. In a televised press conference from the Casa Rosada presidential palace, Macri insisted that the pension reform would be beneficial for the country and denounced the violent protests as an "orchestrated" attempt by his political detractors to destabilise his government and undermine democracy. "Despite all they did, we showed that democracy works in Argentina; we had a 17-hour debate in which the opposition spoke for 14 hours. They expressed their views and then there was a vote," Macri said, adding that "nothing justifies the violence...and we will combat it in the judiciary".

## Pension reform approved at political cost

The government led by President Mauricio Macri has pushed its proposed pension reform through the federal congress. Pension reform is an integral part of the wider economic reforms that the Macri administration is seeking to implement to ensure Argentina's medium and long-term economic growth, and the approval of the bill in the opposition-controlled congress constitutes a political victory. However, violent public protests organised by groups opposed to the pension reform, which include leftist political groups, civil society organisations, and unions, have depleted Macri's political capital.

Following the positive performance in October's mid-term federal legislative elections by the ruling centre-right Cambiemos coalition, which succeeded in increasing its minority representation in congress, the Macri government announced that it would seek to promote a series of structural economic reforms including labour, fiscal, and pension reform, to boost Argentina's domestic economy. It opted to try to get the pension reform – arguably the most controversial of all the reform initiatives – through congress first.

The government's proposed pension reform seeks to change the national pension system in order to make it sustainable and to reduce the fiscal deficit. This is to be achieved by changing how pension pay-outs are calculated, linking this to the national inflation rate and average salaries rather than to average salaries and the monthly takings of the national social security administration (Anses). The government argues that, in the long term, the changes will benefit pensioners by ensuring that pension pay-outs keep up with inflation. But opponents of the reform complain that in the short-term the proposed changes would negatively affect the level of pay-outs currently received by pensioners (with these due to fall by 8% next year according to some studies) as the inflation rate is expected to be lower than the average increase in Anses takings in coming years.

Hard-line leftist political opposition and vested interest groups such as the trade unions were always likely to look askance at the government's proposed reforms. But pension reform affects a larger proportion of the population and so resistance to it is stronger and more widespread. In fact, resistance to the initiative has proved to be much stronger than the government had initially foreseen. The government submitted the pension reform bill to congress in November hoping that it could be approved before the end of year. But, after it was approved by the senate on 30 November, the bill became mired in the lower chamber last week, when opposition legislators obstructed its debate. Meanwhile, outside congress, opponents staged large demonstrations in rejection of the bill.

The turmoil outside congress, where some demonstrators clashed with the police while trying to break into the building, and inside congress, where legislators almost came to blows during heated confrontations, resulted in the suspension of the 14 December session in the lower chamber, when the deputies were scheduled to vote on the pension reform bill. However, the government was undeterred and another vote on the bill was scheduled for four days later. This once again prompted opponents to call for a mass protest march to congress to try to stop the bill's approval. The protest march was well supported with thousands of people taking part. But this time the police erected an extensive cordon around the congress building to prevent protesters from trying to storm it.

### Political costs

This led to a pitched battle between anti-riot police and some 300 hooded protesters who hurled sticks, rocks, and Molotov cocktails at the police line.



## **Governors come out in support of reform**

Underlining their support for the fiscal pact that they have reached with President Macri, 12 provincial governors publicly expressed their support for the pension reform bill on 18 December ahead of the vote in the federal chamber of deputies. After holding a meeting with Macri's interior minister Rogelio Frigerio, the governors said that the pension reform would help to strengthen the finances of the federal government as well as the provinces. Among the governors that attended the meeting were some members of the hard-line opposition Kirchnerista Peronist faction such as the governor of Tierra del Fuego, Rosana Bertone, and the governor of Tucumán, Luis Juan Manzur, who served as health minister (2009-2015) in the previous Kirchnerista government.

The police resorted to tear gas and water cannon to repel the protesters. The disturbances left a toll of over 200 people injured (125 police officers and 33 civilians), with over 60 arrests made. Meanwhile, the Confederación General del Trabajo (CGT) umbrella trade union declared a 24-hour general strike in support of the protests. The CGT strike was observed by practically all public transport sector unions leading to the suspension of all bus, metro, and rail services as well as the closure of national and international airports around the country, causing the cancellation of hundreds of flights.

However, none of this stopped legislators in the lower chamber from continuing to debate the pension reform bill. Eventually, after 17 hours of intense debate (in which opposition legislators tried to use up as much time as possible to delay the vote) deputies voted on and approved the bill in the early hours of 19 December. The bill received 129 votes in favour and 117 against in the 257-seat chamber. The minority Cambiemos bench succeeded in securing the votes of sufficient moderate deputies from the majority bench of the main opposition Partido Justicialista (PJ, Peronists) to pass the bill. This feat was achieved in no small part thanks to the fiscal pact that President Macri reached with the governors of the country's 24 provinces (most of whom are Peronists) under which he agreed to redistribute more federal taxes to the provinces in exchange for their support for the economic reform package (*see sidebar*).

Macri was able to reach a pact with the provincial governors due to October's electoral result. But with those opposed to the pension reform vowing to continue their protest campaign and extend it nationwide until the reform is scrapped, governors may be hesitant to continue backing the reforms if social discontent becomes more widespread. The CGT's decision to support the protests could also lead to a breakdown of the working relationship that the Macri administration has been able to establish with the union. This could in turn derail the labour reform. Following negotiations with the government, the CGT leadership agreed to offer its support for the proposed labour reform, but this could change if public opposition to the pension reform grows.

Macri is now trying to shore up public support for his administration to continue advancing with its proposed reforms. The clearest example of this is his decision to approve the payment of a one-off Ar\$750 (US\$42) bonus to all pensioners who receive less than Ar\$10,000 in monthly pension pay-outs, which equates to 72% of all pensioners, to compensate for the lower pay-outs they are expected to receive under the reform next year.

### **Macri launches naval sweep**

Another factor that has negatively affected the government's image in recent weeks is the disappearance of the ARA San Juan naval submarine. The ARA San Juan and its 44-strong crew disappeared on 15 November while returning to its home port of Mar del Plata, Buenos Aires province, after conducting a routine patrol of Argentina's southern territorial waters. With the authorities still unable to find the vessel, the case has raised serious questions about the navy's handling of the emergency.

On 15 December President Macri ordered the replacement of the navy commander, Admiral Marcelo Srur, with Rear Admiral José Luis Villán. The change came amid rumours that Macri was unhappy with the way in which the navy command dealt with the case of the ARA San Juan and was considering conducting a major shake-up of the command. It also came after the defence ministry announced the creation of an investigative commission tasked with determining exactly what happened. Meanwhile, on 20 December, the federal chamber of deputies voted in favour of an opposition-proposed initiative calling for the creation of a congressional investigative commission to look into the ARA San Juan case. The initiative is now with the senate. If approved, the commission could unearth uncomfortable details about the authorities' failings in the case.

**Marito**

Senator Abdo Benítez is the 46-year-old son of Mario Abdo Benítez, the long-time personal secretary of General Alfredo Stroessner, the ruthless ANR-PC political leader who led Paraguay's military dictatorship (1954-1989). This means that, despite his youth, Senator Abdo Benítez is closely associated with the ANR-PC old guard and its traditional conservative values. This association proved to be Abdo Benítez's main strength in the ANR-PC party primaries, as it allowed him to present himself as 'as an authentic Colorado' and not a newcomer to the party like President Cartes and his protégé, Santiago Peña. But this could prove to be a double-edged sword, as many in Paraguay associate the Abdo Benítez name with the dictatorship and the atrocities committed by it.

**Cartismo defeated in party primaries**

Paraguay's primary elections on 17 December produced clear victories for presidential candidates in the two main political parties: the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC) and the main opposition Partido Liberal Radical Auténtico (PLRA). But the ANR-PC primaries resulted in a painful defeat for President Horacio Cartes and his supporters (Cartistas), as his handpicked successor was defeated by a rival backed by anti-Cartista factions. The opposition's chance of winning the general election in April 2018 will be greatly enhanced if the ANR-PC is divided.

The division within the ANR-PC stems from the fact that many long-time members view President Cartes, a business tycoon who only formally joined the party ahead of the 2013 general election after he was offered the presidential candidacy, as an interloper who is now trying to exert full control over the party. These divisions deepened as Cartes shunned the party old guard from his cabinet opting instead to appoint young technocrats. Cartes' decision to back the presidential candidacy of his young and inexperienced former finance minister, Santiago Peña (2015-June 2017), galvanised the anti-Cartista faction. It views Peña as a proxy for Cartes.

The reason why the ANR-PC turned to Cartes in the first place was to take advantage of the magnate's capacity to fund expensive electoral campaigns. So it was widely expected that Peña would benefit from Cartes' deep pockets, putting the anti-Cartistas at a disadvantage, but they succeeded in uniting behind the candidacy of Senator Mario 'Marito' Abdo Benítez.

Abdo Benítez is another young politician but one who has strong links to the ANR-PC old guard (*see sidebar*). With the anti-Cartistas fully aligned behind him, the primary contest became much more even as they exploited discontent with the Cartes executive among the party's grassroots. In the end, Abdo Benítez secured a decisive victory: 50.93% of the 1.1m votes cast to Peña's 43.29%. Abdo Benítez's lead was so convincing Peña conceded defeat just hours after the vote.

**Double blow**

Further compounding the sense of defeat for Cartismo, the PLRA primaries delivered a resounding victory for a hard-line opposition candidate over a rival from a PLRA party faction that earlier this year supported the failed Cartista efforts to change the constitution and introduce presidential re-election to allow Cartes to contest next year's presidential election. Efraín Alegre, the recently elected PLRA party president and defeated 2013 presidential candidate, roundly defeated his main rival, Carlos Mateo Balmelli, of the party faction led by Senator Blas Llano (Llanistas). Alegre obtained 60.94% of the over 400,000 votes cast to 26.17% for Balmelli.

Alegre, who staunchly opposed Cartista efforts to introduce presidential re-election and emerged as a prominent opposition figure, will now be able to contest the presidency next April at the head of an electoral coalition he has forged with the leftist Frente Guasú (FG) coalition. This is a revival of the electoral alliance that obtained a historic victory in the 2008 general election – when the ANR-PC's stranglehold on power was finally loosened. Alegre and his FG running mate, Leo Rubin, will now be hoping to emulate this feat next year against a potentially divided ANR-PC, which may not be able to rely on Cartes' financial backing to contest the election.

## Cartes senate bid in doubt

As a result of the defeat of President Cartes' preferred presidential candidate in the ANR-PC primaries, the future of his controversial bid for a senate seat in the April 2018 congressional elections is now in doubt. Former presidents are constitutionally banned from seeking election to congress. But relying on the precedent set by the case of the impeached former president Fernando Lugo (2008-2012), who was allowed to run for the senate in the 2013 elections, Cartes registered as a senate candidate, winning a nomination in the primaries. Yet following Cartismo's overall defeat in the primaries, there is speculation that he may now look to abandon his senate bid and political life altogether.

## Congress taunts Cartes over budget

Paraguay's unruly national congress has done it again. Just like last year, despite repeated calls from the Cartes administration not to "inflate" the draft national budget, the legislature has introduced substantial increases to the executive's proposal for 2018. The approval by congress of an expanded 2017 draft budget last year led to President Cartes deciding to veto the budget, resulting in the unprecedented rolling over of the 2016 budget into this year. This in turn led to an institutional clash after the Cartes executive argued that it was licensed to issue debt this year for the same amount approved in the 2016 budget – something that was rejected by congress. However, in what looked like a deliberate attempt to challenge the Cartes executive, on 12 December the opposition-dominated senate decided to give final approval to an amended 2018 draft budget totalling G\$73.6trn (US\$13.2bn), some US\$40m higher than the draft version sent down by the Cartes executive.

The version of the draft budget sent to Cartes by the senate contains a fiscal deficit of 1.8% of GDP, higher than the 1.5% fiscal deficit limit set by the law of fiscal responsibility (LRF) introduced by the Cartes administration in 2013. This has sparked speculation that Cartes could opt to veto the draft budget, which would result in the 2016 budget being rolled over yet again and bequeathed to the new government that will take over in August 2018.

Finance Minister Lea Giménez has insisted that failing to bring the 2018 draft budget in line with the LRF would not only be illegal but also undermine the country's financial stability and potentially its credit ratings. Giménez has mooted the possibility of Cartes issuing a partial veto on the congressionally approved budget to repeal some of the generous salary increases for sectors such as public healthcare (an 8% increase) and education (a 16% increase) that were approved by congress in decisions that have been condemned as being electorally motivated.

## TRACKING TRENDS

**BRAZIL | Economy picking up.** Data from Brazil's central bank (BCB) shows economic activity was up in October, in another sign that Brazil has emerged from its two-year recession. Activity increased by 0.29% on the previous month, following a 0.27% decline between August and September. In the month of October, economic activity grew by 2.92% compared to the same time last year. This is driven by lower interest rates and inflation rates, which have increased investment and consumer purchasing power.

Improved confidence in the Brazilian economy has prompted the government to upgrade the country's growth forecasts for 2017 and 2018. In 2017, Brazil's economy is expected to expand by 1.1%, up from the previous estimate of 0.5%, and for 2018 GDP is forecast to grow by 3%, up from the previous estimate of 2%, according to Finance Minister Henrique Meirelles. However, Brazil's economic growth could be hampered if the government is unable to pass key structural reforms. This includes a vote on pensions to cut the fiscal deficit, which President Michel Temer was forced to postpone until February 2018, reducing the chances it will go through at all.

**BRAZIL | Brain drain.** The number of Brazilians who permanently left the country has increased by 165% over the last seven years, according to statistics from Brazil's federal revenue service (RFB), a secretariat of the ministry of finance. Over 21,700 Brazilians emigrated in 2017 (up to 13 December), more than double the 8,100 who left in 2011. This follows an uptick in emigration during the economic crisis, which rose by 40% between 2015 and 2016. Some analysts are concerned that this trend could lead to a brain drain at home.

Brazilians who emigrate tend to be "qualified people", said Jorge Botrel, partner at JBJ Partners which specialises in entrepreneurship and expatriation to the US in an interview with local daily *G1*. "The profile of an immigrant...tends to be a high-level executive, who is leaving a career to open a business, someone with a PhD. It is a sad phenomenon, because Brazil is losing resources," he said. Botrel told *G1* that his typical client is someone aged between 30 and 55 who is looking to immigrate along with a family.

**Meade and López Obrador square up****Meade and AMLO**

While formally registering as the pre-candidate of the Partido Encuentro Social (PES) this week, Andrés Manuel López Obrador made several references to Benito Juárez. The PES president, Hugo Eric Flores, followed suit, “respectfully reaching out to Morena members who do not share our views to unite around the shared idea of national change; we are both 100% juarista”. Meanwhile, Eruviel Ávila Villegas, former governor of the Estado de México (Edomex, 2011-2017), joined José Antonio Meade’s presidential campaign this week as a coordinator. He will work alongside Aurelio Nuño, Meade’s campaign chief and until recently the education minister.

Public security is shaping up as being one of the key issues in Mexico’s presidential electoral campaign. This sounds obvious enough given that homicides are back up near record levels despite progress in reducing them during the early years of the administration led by President Enrique Peña Nieto. But this is not the reason. Instead, it is because the two frontrunners in the presidential race, Andrés Manuel López Obrador and José Antonio Meade, have very different views on how to improve public security. López Obrador is offering an amnesty for organised crime groups to try to bring down homicide levels; Meade is supportive of the contentious internal security legislation approved by the federal congress on 15 December, enshrining the military’s role in public security.

Mexico’s presidential hopefuls launched their campaigns (officially pre-campaigns) on 14 December. López Obrador hit the ground running. During an event in Mexico City, where he is a former mayor (2000-2006) and retains significant popular support, López Obrador presented a full 16-member cabinet list comprising an equal number of men and women for his *Juntos haremos historia* (‘Together we’ll make history’) coalition, forged between his radical left-wing *Movimiento Regeneración Nacional* (Morena), the leftist *Partido del Trabajo* (PT), and the socially conservative *Partido Encuentro Social* (PES).

No presidential candidate has ever presented his cabinet list at the outset of an electoral campaign. It is far more usual not to divulge any names until after the elections. López Obrador extolled the “experience and unimpeachable honesty” of all 16 members of his proposed cabinet, which he modestly proclaimed would be the best Mexico had seen since that of former president Benito Juárez (1858-1872). López Obrador identifies with Juárez, the symbol of Mexican nationalism and resistance to foreign intervention, as well as a liberal reformer who fought for social justice and defended the rights of the poor and indigenous (see sidebar). Despite some parallels, unlike Juárez who sought to assert centralised power over Mexico’s states, López Obrador is advocating a more decentralised Mexico, with the majority of federal cabinet ministries, for instance, to be based in different states.

The most prominent members of López Obrador’s proposed cabinet are Olga Sánchez Cordero, a former supreme court magistrate (1995-2015), who would become the first female to hold the post of interior minister; Esteban Moctezuma, a cabinet minister in the *Partido Revolucionario Institucional* (PRI) administration led by Ernesto Zedillo (1994-2000), as education minister; Carlos Manuel Urzúa Macías, who served as finance minister between 2000 and 2003 for the Mexico City government under then mayor López Obrador, as finance minister; and the Harvard, Oxford, and Cambridge educated Héctor Vasconcelos, a former ambassador to Norway, Denmark, and Iceland, as foreign affairs minister.

As López Obrador’s proposed head of the civil service (*Secretaría de la Función Pública*, SFP), Irma Eréndira Sandoval, a sociologist, would lead the campaign to eviscerate official corruption in Mexico, in order to fund an all-embracing and expansive agenda of social justice to redress social and economic inequality. López Obrador calculates that savings of some M\$500bn (US\$24.3bn) would be possible if official corruption could be expunged in Mexico.

## Internal security

An international coalition of eight human rights organisations, Observatorio Internacional sobre México, formed this week to observe and document deteriorating human rights in Mexico. It is adding its voice to domestic protests against the internal security bill approved by congress in an attempt to persuade President Peña Nieto to veto it. Salil Shetty, the secretary general of one of these eight human rights bodies, the NGO Amnesty International (AI), penned an open letter to Peña Nieto denouncing “a vague and overly broad concept of ‘interior security’ [which] conceals dangerous and concerted efforts to maintain the role of the armed forces in public security functions”.

López Obrador argues that social and economic inequality in Mexico lie behind much of the violence. Addressing these causes through the provision of opportunities in the form of apprentices for marginalised youths, for instance, is one of his key priorities. He is also promising to create a national guard, improve the salary of soldiers, marines, and police officers, and to make the public security secretariat a standalone ministry rather than part of the interior ministry. But his most widely reported proposal is an amnesty for organised criminal groups. He argues that the government’s militarisation of public security is the wrong approach: “an eye for an eye, and a tooth for a tooth will not solve the problem of violence”.

## Meade goes toe to toe with AMLO

For his part, Meade, the PRI presidential candidate, sought to compete directly with López Obrador’s social promises during his campaign launch in the municipality of San Juan Chamula, in Mexico’s most impoverished state of Chiapas, the stronghold of the PRI’s main coalition partner Partido Verde Ecologista de México (PVEM). Decked out in indigenous dress, Meade said one of his main priorities as president would be “closing the gap that separates the Mexico that we are and the Mexico we dream of”, and that by starting his campaign in Chiapas he was sending inhabitants a signal of his intent.

Days later, speaking during a press conference in the nearby state of Campeche, Meade repeated his determination to “close the gap in socio-economic development between the north and the south of the country”. He said the key in Campeche would be to diversify productive activity, arguing that the southern state could be a tourist and agro-industrial powerhouse.

During this press conference, Meade also indirectly challenged López Obrador over public security. Meade maintained that the internal security bill approved by congress, but awaiting promulgation by President Peña Nieto in the face of domestic and international opposition (*see sidebar*), provided “a good starting point” that could be “enriched”. He contended that it was missing the point to frame the debate over whether the military should be on the streets or confined to barracks as “a binary choice” because the armed forces had been involved in public security for over 10 years without any law providing guarantees for their participation. The new law, Meade said, was necessary for the sake of both the public and the military.

Meade also suggested that toxicological tests should be performed on all of the presidential candidates participating in next year’s elections in order to ascertain their physical and mental health to determine whether they would be fit to govern. This looked like a veiled attack on López Obrador who suffered a heart attack in 2013 and whose mental state has been questioned by his detractors.

## Anaya all ears

The last of the three main presidential candidates to launch his pre-campaign was Ricardo Anaya, the pre-candidate for the Por México al Frente coalition between the right-wing opposition Partido Acción Nacional (PAN), the left-wing Partido de la Revolución Democrática (PRD), and leftist Movimiento Ciudadano (MC). Anaya chose Amealco, in the central state of Querétaro, a PAN stronghold, for the launch. Anaya said he would “listen more than speak in order to understand the problems faced by Mexicans and propose concrete solutions”. He promised “a full frontal assault on corruption, the main cancer in Mexico today”.

Unlike Meade and López Obrador, Anaya could face a rival in an internal election on 11 February. But neither PAN Senators Ernesto Ruffo of Baja California and Juan Carlos Romero Hicks of Guanajuato, both former governors, have registered yet, the PAN party president Damián Zepeda confirmed this week. They only have until 7 January to gather the signatures of 10% of the PAN’s 282,000 members if they want to compete against Anaya.

**OAS report**

In his 17 December statement OAS Secretary General Luis Almagro, citing receipt of the preliminary report from the OAS electoral observer mission (OAS/EOM), was unequivocal that the “denunciations... make it impossible to grant any certainty to the result of this electoral process”. Almagro concluded that “the only possible way for the victor to be the people of Honduras is a new call for general elections”. In apparent divergence, however, on 18 December the European Union (EU), which also sent an electoral observer mission, suggested that the vote recount showed no irregularities, claiming that “after comparing a large random sample of voting records provided to us by the [opposition] and the original records published on the TSE’s website [there were] no significant differences”.

**Crisis intensifies as Hernández declared victor**

The Honduran electoral authorities (TSE) have ended speculation. After a partial recount, the TSE declared on 17 December that President Juan Orlando Hernández of the ruling Partido Nacional had won the disputed 26 November presidential elections against Salvador Nasralla of the Alianza de Oposición contra la Dictadura by 42.95%-41.42%. On the same day, the secretary general of the Organization of American States (OAS), Luis Almagro, called for fresh elections, after finding the process “characterised by irregularities and deficiencies, with very low technical quality and lacking integrity”. Bolstered by Almagro’s call, Nasralla, who maintains widespread fraud took place, has conditioned his willingness to take part in a “national dialogue” called by Hernández on fresh elections being held – which the president has rejected.

As expected, Nasralla promptly rejected the final result declared by the TSE. He called for immediate and permanent mobilisations and for the international community to suspend foreign aid to the Honduran government until the election controversy had been resolved. While initially raising eyebrows on 19 December with his acceptance of calls to dialogue with Hernández, the following day Nasralla revealed his condition for this taking place – that new elections be held.

As well as the show of support from the OAS (*see sidebar*), Nasralla appears to have been strengthened in his resolve by his recent visit to the US where he met Almagro and members of the US establishment. He secured backing from legislators like Senator Patrick Leahy (D-VT) who, in a 20 December statement, was clear that the US administration led by President Donald Trump should support the calls for fresh elections. This led Nasralla to tweet that his visit to the US had “gone down very well” and he expressed hopes that the Trump administration would back the calls for another election.

At the time of writing the US government had yet to congratulate Hernández. A US embassy statement released on 18 December, noted that the US is “aware” that the TSE has declared Hernández the winner and goes on to “encourage political parties to use the five-day period, as established by Honduran law, to present any challenges to the election result”. Nasralla’s optimism that the US would back his calls for fresh elections, however, received a setback following Mexico’s decision on 19 December to congratulate Hernández (*see box*) which seems to have had an impact. The following day international news wires cited a senior US State Department official as saying “At this point...we have not seen anything that alters the final result”. While adding that Washington may wait to make a definitive judgment in case the opposition presents additional evidence of fraud in the election, the same anonymous official is cited as saying that “The Mexican statement, and its review, indicates that a call for a new election is a pretty dramatic outcome in this case”.

**Recognising Hernández**

As well as Mexico, Colombia and Spain have so far congratulated President Hernández on his victory. Honduras’s Central American neighbours have been less forthcoming since the announcement of the final result. So far Guatemala has congratulated the re-elected president while El Salvador and Nicaragua have yet to make an official declaration. Costa Rica’s foreign minister, Manuel González, said yesterday that the government was waiting for “more information” regarding the “sensitive issue” of Hernández’s re-election.

## Liquidity problems persist

Indicative of the continued liquidity problems facing the Solís administration, on 14 December Finance Minister Helio Fallas admitted that difficulties in accessing finance had prevented the government from paying out C\$80bn (US\$141m) in salaries. His remarks were in response to concerns raised by the teachers' union Asociación Nacional de Educadores (ANDE) and the national teachers' pension fund Jupema, which claimed that their members have not received their salaries and pensions. Back in August President Solís had already admitted that the government was facing "difficulties meeting its obligations and guaranteeing the provision of essential services".

## Candidates unveil manifestos

The two frontrunners ahead of the February 2018 presidential race, Antonio Álvarez Desanti of the main opposition Partido Liberación Nacional (PLN) and Juan Diego Castro of the small conservative opposition Partido Integración Nacional (PIN), last week unveiled their manifestos. In line with what opinion surveys suggest is the main voter concern, both candidates have named as a key priority the need to boost jobs. While acknowledging the need to address another priority – the widening fiscal deficit – both candidates fell short of proposing a far-reaching tax reform.

According to a survey released in October 2017 by the Universidad de Costa Rica's centre for research and policy studies (Ciep), unemployment remains the main voter concern, cited as such by 17.2% of respondents, ahead of corruption (15.3%). A report this month by the Economic Commission for Latin America and the Caribbean (Eclac) put Costa Rica's average national unemployment rate for the first three quarters of 2017 at 9%, compared with 9.5% in the same period the previous year.

Unveiled on 11 December, Álvarez's manifesto cites as its key pledge, the creation of 150,000 new jobs. He is proposing to do this through a multi-pronged strategy which includes plans to accelerate public infrastructure initiatives for roads, educational centres, the health sector, and the construction of ports and airports. Álvarez – who the latest polls show in a technical tie with Castro [[WR-17-48](#)] – is also calling for a "national financial inclusion strategy" to consolidate projects in sectors such as tourism, fishing & aquaculture, agriculture, cooperatives, and trade. He is also proposing a national job strategy, based on the need to modernise the productive apparatus, and to establish mechanisms to facilitate trade and attract new investment.

Álvarez also cited as a priority the need to tackle the fiscal deficit which continues to serve as a strain on government finances (*see sidebar*). With the Eclac report forecasting that the deficit will close at 6% of GDP in 2017, up from 5.2% in 2016, the continued crisis stems from the perennial failure of the opposition-led national legislature to approve a tax reform proposal sent down by President Luis Guillermo Solís in August 2015, which has since been amended. While acknowledging the need to raise value added tax (VAT) to 15% from 13%, Álvarez's solution is rather to control public spending; improve the efficiency of the tax system; and crack down on tax evasion.

In his manifesto, Castro listed addressing the fiscal deficit as the first urgent challenge. He is proposing to do this in three ways, none of which call for a comprehensive tax reform. Instead he is calling for public spending to be controlled through improving management of public finances; modernising the tax system and "correcting distortions"; and unifying management of public debt. In his manifesto, Castro states that the country currently has multiple issuers of state debt which has weakened the stock exchange.

As regards tackling unemployment – also a declared priority – Castro is advocating setting in place the necessary conditions for the private sector to create more and better jobs. As a first step, he is calling for better coordination with the private sector lobby in order to understand what the main obstacles are for the productive sector. He also outlined plans to promote dual education in order to create training opportunities for young people, and to improve English teaching. Other proposals aimed at boosting job creation include restructuring the labour ministry in order to focus on improving inter-institutional coordination, with plans to create a new technical secretariat of private enterprise.

## POSTSCRIPT

### Quotes of the year

“Mexico does not believe in walls, but in bridges.”

*Mexico's President Enrique Peña Nieto.*

“Colombia is a failed state, 70 years of war, they signed a peace accord thanks to [Hugo] Chávez and me.”

*Venezuela's President Nicolás Maduro.*

“I have gone from being the best president in history to the Beast of the Apocalypse.”

*Ecuador's President Rafael Correa.*

“For just 1% of the outrages uttered by [Honduran President] Juan Orlando [Hernández], I was ousted in a coup and flown out of the country...just for wanting to consult the people about whether we could design a new constitution.”

*Former Honduran president Manuel Zelaya (2006-2009).*

“After breaking Brazil, Lula says that he wants to return to power. That is to say: he wants to return to the scene of the crime. Be sure that we will defeat him at the polls.”

*São Paulo governor Geraldo Alckmin on former president Lula da Silva (2003-2011).*

### Venezuelan authorities strengthen democracy in unusual way

The threat issued by Venezuela's President Nicolás Maduro to bar the principal opposition political parties from participating in next year's presidential elections was substantiated on 20 December. The constituent assembly approved a law stipulating that any political party which fails to participate in any electoral process will have to go through the entire party registration process again. This means collecting the requisite number of signatures and submitting them to the national electoral council (CNE) for approval.

President Maduro raised the possibility of punishing parties that refuse to participate in elections following the municipal elections on 10 December. These were boycotted by the largest three parties in the opposition Mesa de la Unidad Democrática (MUD) coalition: Primero Justicia, Acción Democrática, and Voluntad Popular. The president of the constituent assembly, Delcy Rodríguez, said that the new law was designed “to strengthen the system of political parties upholding Venezuelan democracy”. Rodríguez added: “boycotts will not be permitted...[the law] encourages and rewards political participation”.

In theory, while chastening, the registration process should not be too onerous for the three political parties. But in practice it could be an insurmountable challenge. The CNE demonstrated with the opposition's attempt to force a recall referendum on Maduro that it is capable of spinning out the process for verifying signatures amid a complex skein of rules and regulations that could result in the parties being unable to register in time to participate in the presidential elections.

The main reason the three parties refused to participate in the municipal elections in the first place was because they argued that the CNE, with four of its five members loyal to the government, was incapable of organising free and fair elections. The restructuring of the CNE ahead of next year's presidential elections is one of the opposition's key demands in the national dialogue process it is holding with the government in the Dominican Republic. The latest law undermines the national dialogue, the second round of which took place on 15 December. Neither the government nor the opposition let on much about the closed-door talks, but Dominican President Danilo Medina said a third round would be held on 11 and 12 January.

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