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Guatemala's Cicig makes the ultimate accusation

The United Nations-backed International Commission against Impunity in Guatemala (Cicig) has made the most dramatic claim since its creation nearly a decade ago. Cicig, together with the attorney general's office (AG), directly accused President Otto Pérez Molina and his former vice-president, Roxana Baldetti, of heading up the corruption ring, 'La Línea', uncovered in the tax authority (SAT) in April [WR-15-19] – the first of various scandals to rock the political establishment. Pérez Molina's Partido Patriota (PP) government is in total disarray after six ministers resigned in the wake of the allegations. The supreme court (CSJ) ordered the 158-member unicameral legislature to determine whether to strip Pérez Molina of his immunity in order to face investigation. The institutional and political crisis comes with just over a week until the general elections on 6 September.

In a press conference on 21 August, Cicig's chief, Colombian jurist Iván Velásquez Gómez, and Attorney General Thelma Aldana, said that "evidence based on 88,920 telephone taps, 5,906 emails and 17 raids suggested close relations between President Pérez Molina, Baldetti and 'La Línea' which was apparently also led by Juan Carlos Monzón, Baldetti's former private secretary, who remains at large. An AG press release issued three days later contained further details, citing conversations between Baldetti – referred to as 'La Señora' (since arrested and due to face trial for crimes including illicit association and tax fraud) – regarding the January appointment of a new SAT superintendent, Omar Franco Chacón, who was known within the criminal organisation as 'El de Anteojitos'. The same press release also cited communications between the SAT leadership and Pérez Molina, who reportedly gave orders to appoint a new head of human resources at the SAT likely to be sympathetic to 'La Línea' which made some Q\$28m (US\$3.66m) through anomalous customs transactions.

In an address to the nation on 23 August, an embattled Pérez Molina "categorically reject[ed]" the allegations, insisting that his "conscience is clear" albeit while recognising that "this happened under my administration and involved officials close to me". He also lashed out against Cicig, making oblique references to "an interventionist strategy that seeks to take political decisions in this country." However the case has since gone to the CSJ which, on 25 August, unanimously voted to allow the legislature to decide whether to strip Pérez Molina of his immunity from prosecution. This is the second time that the CSJ has moved against Pérez Molina after admitting a legal complaint filed by Amílcar de Jesús Pop, a national deputy for the small leftist opposition Winaq party, back in May in relation to both the SAT scandal as well as the other major scandal to shake his government – that in the social security institute (IGSS) [WR-15-21]. The IGSS scandal forced out (among other officials) the IGSS president, Juan de Dios de la Cruz Rodríguez López,

Approval in tatters

The *Prensa Libre* poll published on 10 August gave President Otto Pérez Molina an approval rating of just 12%, the lowest for any recent Guatemalan president. This is even lower than the 14% registered in 2003 for former president Alfonso Portillo (2000-2004), of the now defunct Frente Republicano Guatemalteco, whose administration was until now widely considered to be one of the most corrupt in the country's history. It is worth recalling that human rights groups, such as the Washington Office on Latin America (Wola), have long raised concerns over Pérez Molina, a former chief of military intelligence (D-2) during the 1960-1996 civil war; a 2003 Wola report links him to the Sindicato, one of two so-called CIACs (illegal security forces and clandestine security organisations) in Guatemala.

one of Pérez Molina's closest allies and his former private secretary. In response to the CSJ's initial ruling, the legislature voted this month against the move, but Pérez Molina might not escape a second vote given the latest allegations and the growing public clamour for him to step down.

Response

Since Cicig and the AG made the allegations, no less than six ministers have handed in their resignations, insisting that they can no longer serve in Pérez Molina's government. These are: Sergio de la Torre (economy), Cynthia Del Águila (education), Sebastián Marcucci (agriculture); Luis Monterroso (health); Dorval Carías (finance) and Víctor Corado (communications, infrastructure & housing). In a statement, De La Torre, along with Del Aguila, the two sole remaining members of Pérez Molina's original cabinet, which took office in January 2012, said that the situation "left us disappointed...and unable to continue in our posts". Other officials to have left in the wake of the Cicig/AG report include the presidential commissioner for competitiveness, Juan Carlos Paiz, five deputy ministers, and the special police commissioner with responsibility for police reform, Adela Camacho de Torrebiarte.

In addition to pressure from within his government, Pérez Molina faces calls to step down from a range of sectors. With anti-government protests taking place on a regular basis since April – when the first scandal broke – the umbrella group Asamblea Social y Popular (ASP), comprising around 100 civil society groups, has been staging blockades this week across the country, calling for his departure. As well as high-profile opposition figures like the indigenous leader and Nobel Prize Winner Rigoberta Menchú (of Winaq), these calls have also come from the influential private sector lobby, Cacif, and the archbishop of the Roman Catholic Archdiocese of Guatemala, Óscar Julio Vián Morales. The secretary general of the Organization of American States (OAS), Luis Almagro, released a statement expressing concern "over the recent political developments in Guatemala" – although his concerns were concentrated on calls "from various sectors of society to postpone the elections scheduled for September 6".

Impact on the elections

The latest poll by leading national daily *Prensa Libre* (published on 10 August – before Cicig and the AG made the accusations) already showed Pérez Molina's approval to be the lowest of any Guatemalan president in recent history (see sidebar) as a result of the various scandals, while his PP is a busted flush; its presidential candidate, controversial journalist, Mario David García barely features in the pre-electoral polls. However, the allegations of corruption have implicated not just the PP but also the main opposition Libertad Democrática Renovada (Líder) and other political parties.

While the poll showed Líder's candidate Manuel Baldizón in first place with 24.9% of voting intentions, this was down from 30.1% in the previous poll last May. In second place, on 16.2%, is Jimmy Morales, the secretary general of the small conservative Frente de Convergencia Nacional (FCN). Positioning himself as the anti-establishment candidate, Morales, who did not feature in the May poll, is just ahead of former First Lady Sandra Torres of Unidad Nacional de la Esperanza (UNE), who is on 14%. The poll attributed Baldizón's decline to the corruption allegations surrounding various members of his party. Baldizón's running mate, Édgar Barquín, a former head of the central bank (2010-2014), faces being stripped of the immunity he enjoys as an electoral candidate in order to face investigation. Five other Líder national deputies are accused of a string of crimes including influence trafficking, illicit enrichment and abuse of authority.

With no candidate looking likely to garner the 50% plus one of the vote to secure a first round victory, the one certainty indicated by the pre-electoral polls is that, as has been the case since the end of the 1960-1996 civil war, the contest looks set to go to a second round run-off.

A bridge closed over troubled waters**Maduro challenged on human rights**

The mayor of the Colombian border town of Cúcuta, Donamaris Ramírez, of Partido Verde, announced that he intended to denounce President Nicolás Maduro before the Inter American Court of Human Rights, in reply to which the president of Venezuela's national assembly, Diosdado Cabello, said the mayor should "do his job". Meanwhile, Maduro remains unrepentant. The Venezuelan opposition suggests the whole thing is a ploy to distract from the economic and social crisis in Venezuela, and warns that the state of emergency could be used as an excuse to postpone the elections.

A lengthy six-hour meeting in Colombia's Caribbean coastal city of Cartagena de Indias on 26 August between Colombian and Venezuelan officials ended without any concrete measures to resolve the crisis over Venezuela's sudden decision last week to close a key border crossing and begin summarily deporting Colombian migrants.

Having stressed the need for a 'calming' of the situation ahead of the meeting, Colombia's foreign minister, María Ángela Holguín, afterwards said that the meeting was the "most frank and realistic for some time". Her Venezuelan counterpart, Delcy Rodríguez, also used the word "frank". Yet the outcome was minimal – an agreement to hold more talks, with the defence and economy ministers to meet in support of some sort of plan to "re-found" the border, in the words of Venezuela's President Nicolás Maduro. Venezuela, apparently, has not agreed to re-open the border any time soon, and all Holguín could do was to reassert Colombia's position against its closure.

Another dramatic move by Maduro

On 20 August, President Maduro ordered the closure for 72 hours of the 'Simon Bolívar' international bridge, which links the towns of San Antonio and San Cristóbal, in Venezuela's Táchira state, with Cúcuta and Villa del Rosario in Colombia's Norte de Santander department. Maduro said that military border officials on an anti-smuggling patrol had been injured in an alleged "ambush", and declared that enough was enough, accusing Colombian paramilitaries of overrunning the zone. Two days later, Maduro extended the closure indefinitely and decreed a 60-day state of emergency in five Venezuelan border municipalities, extendable for a further two months, pending the re-establishment of security in the region.

Maduro repeated his allegation that international far right-wing groups are staging an 'economic war' against Venezuela from these western border zones, engaging Colombian mercenaries for the purposes of destabilising the country. The more mundane reality is that with Venezuela running well short of the oil export revenues needed for its huge import bill, the authorities have been using the pretext of the 'economic war' to clamp down on smuggling activities, something to which the central government previously turned something of a blind eye (not least because of the alleged involvement of sectors close to the Bolivarian Revolution).

Starting a year ago, in August 2014, Maduro imposed a 'shock plan against smuggling', deploying 17,000 soldiers along the 2,219kms of land border areas in four states (Zulia, Táchira, Apure and Amazonas) and unilaterally imposing night-time border closures, also prompting Colombian exasperation. The Caracas government claims to have arrested 6,000 people in the past year for smuggling. It also claims to have seized over 28,000 tonnes of food.

In announcing these latest measures, Maduro also complained about "a large influx" of migrants from Colombia, whom he said were not only making a living from smuggling and contraband but were also availing themselves of Venezuela's generous social welfare programmes. Venezuelan authorities immediately began deporting Colombian migrants. While some of these border dwellers undoubtedly make a living from smuggling, travelling over and back every day to ply their wares in Colombia, these are small fry, not the big fish controlling the smuggling (and drugs) trade, and these sudden mass deportations have prompted plenty of head scratching as to what exactly the

Uribe speaks out
Former president Alvaro Uribe's political support is strong in the affected border department of Norte de Santander, and he has also used the occasion to rail against the peace process, noting the Venezuelan government's political support for the Farc and accusing President Juan Manuel Santos of appeasing both Venezuela and the Farc, risking domestic security and peace in Colombia.

thinking is inside the Maduro administration. Colombia's President Juan Manuel Santos, for his part, described the move as "inexplicable".

Around 1,000 or so of these (very poor) migrants have been deported in the space of the past seven days. Although the exact numbers are unclear, another 2,000 to 3,000, on Colombian media reports, are said to have left of their own accord, on fear of deportation. Led by President Santos himself, Colombian government officials have complained vociferously about the total lack of any due process for these people – whether illegal or legal – and their abusive treatment by Venezuelan authorities. Hundreds report being forced to up and leave their homes with next to no notice, often unable to bring their belongings and, in some cases, even other family members, including children. Shanty houses were daubed with the letter 'D' for demolition by the Venezuelan authorities.

With the main bridge closed, entire families, including some that apparently have lived in Venezuela for years and may have Venezuelan-born children, were pictured wading across the river with their possessions on their backs. These images were widely televised in Colombia, the US and further afield (notwithstanding the major migrant crisis on its own borders, the European Union on 26 August expressed "concern" about the situation).

It has been a PR disaster for Maduro, with comments by one Venezuelan politician making international headlines: "Maduro criticises Donald Trump, but his acts against Colombian immigration are worse than the magnate's words," stated Saverio Vivas (of the leading opposition party Primero Justicia). Colombia's former president and now a leading senator for the right-wing Centro Democrático (CD), Alvaro Uribe (2002-2010), has gone much further, comparing Maduro to Hitler and the deported Colombian migrants to Jews (*see sidebar*).

This inflammatory rhetoric has also damaged Santos. His calls for the crisis not to be politicised ahead of regional elections in Colombia on 25 October and midterm national legislative elections in Venezuela on 6 December have been completely ignored. Santos has been slammed by the Colombian Right, led by Uribe, for being slow to react to Maduro's move and for generally being 'soft' on Venezuela (which is acting as one of the supporting observers at the peace talks in Cuba between the Santos government and the left-wing guerrilla group, Fuerzas Armadas Revolucionarias de Colombia [Farc]).

In this scenario, ahead of the meeting of foreign ministers, Santos gave his strongest voice yet to the situation, expressing clear exasperation at the Maduro administration's propensity to blame Colombia for all of the ills in Venezuela. "I want one thing to be clear, Venezuela's problems are made in Venezuela, not in Colombia or in other parts of the world," Santos stated. Striking a wry note, he pointed to the paradox that "the extreme Right in my country accuse me of being Castro-Chavista, and 21st Century Socialism of [being a] neoliberal capitalist and pawn of the empire".

Santos went on to compare economic and social statistics in the two countries that he intimated spoke for themselves. "Colombia will grow 3%, while Venezuela will contract 7%, unemployment has fallen here by 30% and there it has risen by 50%. Or the homicide figures: we were the champion of the world for years and now there are 30 murders for every 100,000 inhabitants, while in Venezuela there are 80. This shows the profound differences between us. We have respected their model, they should respect ours".

Santos later travelled to Cúcuta to see for himself the situation. There, he told the deported migrants that "Colombia *does* want you", and announced details of an emergency plan to provide homes, healthcare, schooling and employment for the deportees.

Mendoza and her rivals

Verónica Mendoza Frisch will compete in the primary elections of the Frente Amplio coalition against three other pre-candidates, including Marco Arana, a Catholic priest well known for his militant defence of environmental and social causes in the northern region of Cajamarca, and leader of Tierra y Libertad. Another coalition on the Left – Únete por otra democracia – formed last May between the Partido Humanista; Fuerza Social, of the former mayor of Lima, Susana Villarán; Partido Comunista and Patria Roja. Salomón Lerner Ghitis, President Ollanta Humala's first prime minister, and Yehude Simon, a prime minister under former president Alan García, were the leading presidential pre-candidates, until Simon suddenly took his party, Partido Humanista, out of the coalition this week.

Electoral campaign cranks into gear

Peruvian presidential pre-candidates are popping up by the week with just over seven months to go until the first round of elections take place to find the successor to President Ollanta Humala. Keiko Fujimori is the clear frontrunner in the early opinion polls but this is a reflection of the solidity of the *Fujimorista* base of support, which no other national party enjoys. How far she can expand beyond this is a moot point but, with half of Peru's population under 25, she should benefit from the fact that by the time the elections take place it will be nearly 16 years since the downfall of the authoritarian kleptocracy of her father, former president Alberto Fujimori (1990-2000). As ever in Peru, there is scope for an outsider to emerge. Given the youthful demographic, Verónica Mendoza Frisch, 35, grabbed attention when she used *YouTube* to throw her hat into the ring last week.

Keiko Fujimori was out front on her own in the most recent presidential electoral survey by the national pollster Datum on 34%. This figure, however, has only oscillated within the 3% margin of error since last January, and is her base level of support. She needs to reach out to new sectors to increase it, when her ceiling will become more apparent, but her core support alone should be sufficient to secure a berth in a likely second round.

Datum put the veteran technocrat, Pedro Pablo Kuczynski, in second on 17%. Unlike Keiko, PPK has already fleshed out a plan of governance. This focuses on poverty reduction; the provision of universal healthcare; and the creation of a system of agricultural and technical schools. Nobody else in the Datum survey even makes double figures, with former presidents, Alan García (1985-1990; 2006-2011) and Alejandro Toledo (2001-2006), languishing on 6% and 3% respectively. Daniel Urresti, President Humala's outspoken former interior minister who is promising to end public insecurity within two years if he wins the presidency, is on 5%.

A handful of leftist pretenders posted 1% in the Datum poll. Together they would take about 5% of the vote, but the Left is a divided force with a serious credibility issue. Susana Villarán's tenure as mayor of Lima (2011-2014) was not a resounding success, and her recall referendum win in 2013, backed by the Right, was a kiss of death. Humala, meanwhile, is reviled by many poorer Peruvians who voted for him for subordinating his ostensibly leftist ideals of growth with social inclusion to economic pragmatism. Humala has tacked so far to the centre in government that there is an implicit distrust of proselytising leftist candidates. This has not stopped leftist challengers from proliferating, however, and the latest to declare her hand, Mendoza Frisch, has the greatest crossover potential if she can win a primary election on 4 October (see *sidebar*). Her candidacy injected the first real interest into the elections, and she was promptly interviewed by all of the main Peruvian daily papers.

Mendoza Frisch (her mother is French) is articulate and educated (she graduated from the Sorbonne) but despite her comparatively privileged upbringing she is more in tune with Peru's poor indigenous than many leftist candidates, being an active defender of indigenous rights and the environment. At 35, Mendoza Frisch, a national deputy representing the southern region of Cusco and leader of Movimiento Sembrar, is the minimum permissible age to run for the presidency. Capable of reaching out to younger generations, Mendoza Frisch launched her candidacy on *YouTube*, calling on her supporters to help construct together a country in which everyone has the same opportunities. Mendoza Frisch added that she was "tired of corruption and impunity and those that offer one thing and do another". Mendoza Frisch has some credibility here. She was elected to congress in 2011 but left the Gana Perú coalition which brought Humala to power within a year on the grounds that it had reneged on its campaign promises.

Morales hails further coca progress

The United Nations Office on Drugs and Crime (UNODC) has released its latest survey on coca cultivation in Bolivia which had some positive findings for the government led by President Evo Morales. The report put the total area of coca cultivation at 20,400 hectares (ha) in 2014, a 34% drop since 2010 and the lowest since the UNODC began monitoring coca cultivation in the country in 2003.

The report, which yielded words of praise from Antonino De Leo, the UNODC representative in Bolivia, is the latest boost for President Morales in his efforts to shore up support for his '*Coca Sí, Cocaína No*', drugs policy, which remains a sticking point with the US. The Morales government will no doubt invoke the UNODC report to challenge the US which, most recently, in September 2014 blacklisted Bolivia for "failing demonstrably" to adhere to its obligations under international counter-narcotics agreements. US criticism of Bolivia's drugs policy has intensified since the US Drug Enforcement Administration (DEA) was ejected from Bolivia in 2008 amid a diplomatic spat.

Yet the UNODC report will again fuel concerns regarding the amount of legally grown coca being diverted to the illegal market. A 1998 law sets a legal limit of 12,000 ha of coca plantations although the Morales government currently tolerates 20,000 ha. Meanwhile a European Union (EU)-funded study on the legal uses of coca, released in 2013, found that 14,705 ha should be sufficient to meet traditional demand in Bolivia.

The latest UNODC report estimated that in 2014 the total volume of coca leaves traded in the country's two authorised coca markets – Villa Fátima and Sabaca – weighed 19,797 tonnes, equivalent to 60% of total coca leaf production, with the rest believed to be destined for narco-trafficking. This is, nonetheless, an improvement on 2013 when 47% of total coca production was believed to have been destined for narco-trafficking.

TRACKING TRENDS

BOLIVIA | Gran Chaco LPG plant opened. On 24 August Bolivia's President Evo Morales played host to Paraguay's president Horacio Cartes at the inauguration of the 'Carlos Villegas' hydrocarbon processing plant [WR-15-09]. The plant, located in Yacuiba, Tarija department, is in the Gran Chaco geographical region that stretches across southern Bolivia, western Paraguay and northern Argentina. It was built by Bolivia's state-owned hydrocarbons firm, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), to help boost Bolivia's natural gas exporting capacity, especially liquefied petroleum gas (LPG) to neighbouring Paraguay, Peru and further afield to Uruguay. The US\$600m plant is billed as being one of the largest of its kind in South America; capable of processing 32.2m cubic metres of natural gas a day and produce 3.14 metric tonnes (t) of ethane a day, 2.24 t LPG a day and 1,650 barrels of petrol a day.

President Morales has said that all of this will allow Bolivia to become the main energy pole in South America and supply LPG and other hydrocarbon derivatives to the sub-region for decades to come. Morales invited Cartes to the plant's opening because he has said that one of his government's immediate goals is to supply 100% of Paraguay's LPG demand of 8t-10t a year. In fact, during the event Morales and Cartes signed a new deal under which Bolivia is to sell LPG processed at the 'Carlos Villegas' plant to Paraguay at a discount price of US\$12 per every 10 litre cylinder, lower than the US\$17 per cylinder currently paid by Paraguay. This deal has to be ratified by Paraguay's congress, but Rómulo Campos Krauer, the president of Paraguay's state-owned oil firm Petropar, who accompanied Cartes, has said that once the agreement is ratified, Petropar could start buying Bolivian LPG immediately. Meanwhile Bolivia's energy & hydrocarbons minister, Luis Alberto Sánchez, said that once the 'Carlos Villegas' plant is fully operational it would generate approximately US\$500m LPG export revenue a year. In addition, Sánchez said that the plans to build a new US\$1.8m petrochemical plant at Yacuiba that will allow for the production of propane and ethane-derivative plastics will help to industrialise Bolivia and provide the country with more revenue and jobs than those generated by "just selling natural gas".

Cooperation not eradication

The UNODC report attributes the progress vis-à-vis coca cultivation to cooperative coca reduction rather than forced eradication. It cites "the impact of social control, a dialogue process promoted by the government whereby local coca producers participate in the national strategy". This stance was echoed by the US-based Washington Office on Latin America (WOLA) and the Bolivia-based Andean Information Network (AIN) which released a report the same day attributing the success of the Bolivian approach to two factors: "1) cooperative coca reduction efforts to ensure compliance with limited coca cultivation, and 2) economic development, in particular in the Chapare coca growing region".

As impeachment threat recedes, government trims fat

The decision by the government to cut 10 of its 39 ministries, at the risk of alienating its allies, demonstrates a degree of confidence that the threat of impeachment proceedings against President Dilma Rousseff has receded, at least for now. Given that Brazil has more ministries than any of the world's 50 largest economies, the decision is a popular one. But it must be handled with skill to avoid generating even more ill-will towards the government in the federal congress.

Speaking to reporters in Brasília on Monday, Nelson Barbosa, the planning minister, announced that the formal process of streamlining the government was already underway. In an interview later that day, President Rousseff said that as well as cutting the ministries, the government intended to scrap 1,000 of the 22,000 political appointments that swell the state payroll. Though the move is arguably an important symbol of government willingness to bear some of the costs of the austerity measures currently being implemented across the country, its actual impact on the budget is expected to be minimal. Barbosa gave no details.

Handling the fallout from the loss of government jobs and perks for allies of the ruling left-wing Partido dos Trabalhadores (PT) will be a delicate matter. The issue has become more complicated by the fact that Michel Temer, Brazil's vice-president and a member of the PT's restive ally, the Partido do Movimento Democrático Brasileiro (PMDB) is to stand down from his role as mediator between the executive and the legislature. While his exit does not appear to be particularly acrimonious, Temer's allies have complained of a certain froideur in Planalto's dealings with the vice-president, since he called for "someone to unify the country" a few weeks' ago. Eliseu Padilha (PMDB), the minister for civil aviation, is expected to take over Temer's negotiating role.

With the corruption charges filed against Eduardo Cunha, the speaker of the federal lower chamber, at the supreme court, Rousseff appears to have spotted an opportunity to reboot her relations with congress.

What next for Cunha?

Eduardo Cunha, the PMDB speaker of the federal lower chamber of congress, with the sole responsibility for initiating impeachment proceedings, may have been weakened by the corruption charges filed against him at the supreme court last week, but he remains a dangerous government adversary. Around 40 deputies have called for his removal from office, but there is at present no obligation for him to do so, and he has made it abundantly clear he will not go willingly. One of Cunha's principal skills as a politician has been securing the election of others, particularly through fundraising. With at least 100 or so deputies indebted to him, and many of them eyeing mayoral posts in 2016, he could be in office for a while yet.

Interestingly, the attorney general, Rodrigo Janot, while calling for 184 years' jail time for Cunha on corruption and money-laundering charges did not demand he leave office immediately. Even if the supreme court does decide to try him, the ethics chamber of congress might attempt to strip him of his duties, but that may depend on his level of political support. Only the fear of *cassação* ('expulsion') accompanied by the loss of all political rights for 11 years might force him to jump.

In the interview she gave to three leading (and largely hostile) newspapers on 24 August, Rousseff admitted, for the first time, a degree of fault for the current economic crisis, acknowledging that the government should have

Press backing for Rousseff

The day before the underwhelming pro-government march, President Rousseff did receive tepid support from three major private sector organizations. Most of the Brazilian business community has now come out against impeachment. Even those newspapers uniformly hostile to the government are now opposed to removing her from office, with *Folha de São Paulo* arguing that stripping Rousseff of her mandate without just cause would make Brazil look like a "banana republic".

TSE continues to mull election

On 25 August the supreme electoral court (TSE) decided to continue its investigation into the funding of President Dilma Rousseff's 2014 re-election campaign. Representatives from the opposition Partido da Social Democracia Brasileira (PSDB) argue Rousseff and vice-president Michel Temer should be stripped of their mandates because their campaign used money stolen as part of the scandal surrounding the State oil company, Petrobras.

spotted it earlier. Nevertheless, she blamed much of the deteriorating situation on external factors, such as the falling price of oil and other commodities, and the slowdown in China.

On 25 August, Rousseff authorised a pay-out of around R\$500m (US\$139m) to various parliamentary pet projects. Despite belt-tightening measures elsewhere, the finance minister, Joaquim Levy, was commanded to make the payment to fund a huge range of small public works projects across the country, designed to shore up political support for allies. Padilha was sent before the press to deny there was any difference of opinion between Levy and Rousseff over the issue.

BRAZIL | ECONOMY

Real falls to a new low

With the Real falling to R\$3.62 to the US dollar on 26 August, the Brazilian currency reached a 12-year low against the greenback. The Real has now lost 27% of its value since the start of the year. Camila Abdelmalack, an economist quoted by Bloomberg, argued that the currency was set to tumble further. "It's hard to imagine when this flow of bad news will stop," she said. Some analysts are predicting it may breach the R\$4/US\$1 mark before it starts to recover. While the latest sell-off is due to concerns over the Chinese slowdown, Brazil's domestic economic problems are also mounting.

On 24 August, the finance minister, Joaquim Levy, was forced to deny rumours that he planned to leave the government. He travelled to Washington DC on 22 August, to deal with "private matters" according to the official gazette. But after saying his goodbyes to President Dilma Rousseff, some thought Levy was leaving for good. Speaking from the US capital, Levy said that the issue of his remaining in the position "was not up for discussion". He said that his trip "had nothing to do with any government difficulty. We are all working together for Brazil."

Other signs of slippage in the government's austerity programme have also rattled the markets. On 18 August the federal congress inflicted another defeat on the belt-tightening measures, with the adjustment of the guarantee fund for severance of workers (FGTS). At present the FGTS accumulates interest of just 3% a year; the aim is to increase this to 6%. While the government supports the initiative, which is unsurprisingly popular, it balked at the timeframe that congress wants to see it introduced. Hoping to spread out the increase over 10 years, the federal congress voted to see the rise implemented in four.

The government was also forced to back down over its plans to delay the "13th month" workers' bonus. Half of this bonus is usually paid in July, August or September, with the remainder in December; but the government had indicated it planned on pushing back the payment until the end of the year. Faced with serious opposition by workers and unions, many of whom are affiliated to the ruling left-wing Partido dos Trabalhadores (PT), the government said it will pay out in September/October.

A week after the major anti-government street protests, the PT's attempts to rally the faithful to demonstrate support for Rousseff were largely underwhelming. On 20 August police estimated around 62,000 people from the main trade union, the CUT, and other PT-supporting groups, demonstrated in 16 cities around the country. Compared to the 800,000 or so who marched against the government on 16 August, the numbers were unimpressive. Many of the demonstrators were hardly government enthusiasts, with banners calling for an end to the government's fiscal adjustment programme just as numerous as those calling for an end to the "coup" against Rousseff.

Paraguay visit

President Michelle Bachelet met her Paraguayan peer, Horacio Cartes, in Asunción on 21 August. The focus of talks was on improving trade ties and developing joint infrastructure works. Two-way trade stands at some US\$1.2bn. One of the principal topics of discussion was the proposed bioceanic corridor to connect Brazil's Atlantic ports to Chile's Pacific ports, passing through Paraguay and Argentina. Heraldo Muñoz, Chile's foreign minister, also announced that Chile would support the design of 500kms of paved road networks in Paraguay. "It's fundamental if we want to be a bridge country between the Atlantic and Asia Pacific that we construct these roads in every country", Muñoz said.

Bachelet launches image makeover

President Michelle Bachelet is making a concerted effort to improve her connection with Chile's public. Last week Bachelet promulgated a law to strengthen the national prosecution service to combat crime and insecurity, the main public concern. She also signed into law the creation of a new region, Chile's sixteenth, as part of her commitment to deepening decentralisation in the country in an attempt to bring politics closer to the people.

Improving public security

During a ceremony in the La Moneda presidential palace, President Bachelet said that a total of 577 people would be recruited to bring the national prosecution service up to 4,255 officials. Bachelet stressed that this would make a tangible difference to improving the fight against insecurity as 15% of the new recruits would be public prosecutors. "I have no doubt that the changes that we are introducing will translate into better attention for victims and more efficient investigative processes with better results", Bachelet said, adding that "public security is one of the issues that most impacts our countrymen and as such it is a central objective of this government".

Chile is the safest country in Latin America, along with Cuba, but the growing perception is that public security is deteriorating. This is not something an unpopular president can afford to ignore, especially when protesters start banging pots and pans, which is what happened throughout July in middle class and more affluent residential areas of Santiago. The protest campaign, dubbed 'cacerolazos for insecurity', coincided with the publication of a survey by the national pollster, Adimark, which found that 86% of respondents disapproved of the Bachelet administration's performance on crime.

At first blush, police data suggests that violent crime is actually on the decrease in Chile. A report released by the militarised police, Carabineros, comparing the first six months of 2015 with the same period last year found that the number of national cases of violent crime (such as homicide, rape and armed robbery and burglaries with forced entry) actually fell by 0.9% to 2,539 cases. It was noteworthy, however, that the metropolitan Santiago area (which accounts for 46.6% of the total number of cases of violent crime nationwide) was one of the few areas to see an increase, especially in June. Homicides were up by 35.7% and armed robbery by 19.3% year-on-year in June.

New region formed

Three days after Bachelet sought to address the increase in violent crime, she travelled south to sign into law the creation of the region of Ñuble. With a surface area of 13,178km² spread across three provinces, Ñuble had been part of the central-south region of Bío Bío. It has a population of 440,000 people, some 22% of the current size of Bío Bío.

In a ceremony in Chillán, the designated capital of Ñuble, Bachelet said the new region was "an important step in the long road towards forging a more decentralised Chile": Chile last created new regions in 2007 with the formation of Los Ríos in the south and Arica y Parinacota in the far north. The ceremony in Chillán was carefully choreographed to provide the opportunity for a beleaguered Bachelet to display her patriotic zeal. Chillán was the birthplace of Bernardo O'Higgins, the father of Chilean independence, who was born in the city on 20 August, exactly 237 years before the ceremony making the city the capital of its own region.

Pain on the Left for Vázquez

The 30-day decree by the government led by President Tabaré Vázquez declaring education an essential public service – and therefore making strike action illegal – appeared to have backfired this week, with industrial action spreading across the country.

Relations between the left-wing Frente Amplio (FA) coalition government of President Vázquez on the one hand, and the Plenario Intersindical de Trabajadores–Convención Nacional de Trabajadores (Pit-Cnt) union confederation and individual teachers' unions on the other, have reached a low point. At issue is a long-running dispute over salary levels.

After a series of rolling stoppages and tetchy negotiations, by 21 August the government felt it had hammered out a deal with Pit-Cnt representatives – or at least one that they would recommend for consideration by their members. It proposed a two-year salary agreement (2016-2017) and a commitment to raise the basic teachers' monthly salary to Ur\$25,000 (US\$875) by 2020 (the teachers have been demanding a Ur\$30,000 salary by that date).

Economy & Finance Minister Danilo Astori insisted that public sector teachers have had a good deal. In the last 10 years of FA governments Astori said that the budget of the Administración Nacional de Educación Pública (Anep) has grown by 122% and the average salary of a teacher giving 20 hours of classes a week rose by 64% in real terms. At the same time the government said that under its current five-year budget plans education would get the greatest budget increases. As a share of GDP education spending would be 4.8% in 2015 and 2016, rising to 5% in 2017 and to 6% in 2019 (the unions want the 6% target to be reached much more quickly than this).

But the deal was not accepted, and when the teachers' unions called a further three-day strike, the government reacted with a hard line. On 24 August Education Minister María Julia Muñoz announced the '*esencialidad*' decree, effectively banning strikes for a 30-day period, effective from 26 August. Muñoz said the aim of the decree was "to open a period of reflection for the government's proposals to be accepted", adding that the left-wing government felt "pain" issuing the decree, but was doing so because students' rights were paramount.

It does seem that on the government side the decree was a tactical move to try and make the last push to a settlement. In fact, government officials shortly afterwards suggested that the decree could be revoked if the unions simultaneously lifted their strike action.

But despite the support of some Pit-Cnt leaders this deal also failed and it seems the government may have underestimated the strength of feeling among the teachers' rank-and-file. The unions claim that the decree is itself an illegal restriction on the constitutional right to strike, and are initiating legal action against it in Uruguay and appealing abroad to the International Labour Organisation (ILO).

On 26 August, the day the decree came into effect, many teachers defied it by remaining on strike. Anep, meanwhile, says it is struggling over how to implement the decree that sets out sanctions against teachers who do not attend. The government is caught in a dilemma: backing down would undermine its authority, but pressing on might lengthen the dispute and increase the political cost.

Vázquez and Sendic booed

Protesters booed President Tabaré Vázquez during Uruguay's Independence Day celebrations on 25 August at Piedra Alta, in the southern department of Florida. Vice-President Raúl Sendic, meanwhile, was booed outside the national congress by protesters, who shouted "traitor" at him.

Tucumán trouble gives opposition opportunity

Scioli

Short of serious unrest or a significant deterioration in Argentina's economic prospects, the opposition may struggle to defeat the government presidential candidate, Daniel Scioli. With an 8.3-percentage-point lead over Mauricio Macri in the recent primaries, he just needs that margin to edge up over 10 points to win outright in the first round. But if he fails to do so, the second round could be very tight.

In a joint press conference on 26 August, the leading opposition candidates for the presidency demanded "transparency" for the general elections on 25 October. Over the weekend, elections in the northern province of Tucumán were marred by accusations of fraud and violently repressed demonstrations. To emphasise their point, the opposition candidates were joined on stage by José Cano, the gubernatorial candidate from the Unión Cívica Radical (UCR) who lost Sunday's vote to Juan Manzur, from the ruling Frente para la Victoria (FPV) faction of the Partido Justicialista (PJ, Peronists).

Tucumán is the sixth-largest electoral district in Argentina; since 1999 it has been ruled by the PJ. Preliminary results from the contest on 23 August suggested that Manzur beat Cano by at least 14 percentage points, a victory narrower than anticipated. However, the results were marred by widespread allegations of fraud.

At least 42 ballot boxes are known to have been burnt, out of a total of 3,000 province-wide. The provisional count also excluded a substantial number of voter returns from the provincial capital, San Miguel de Tucumán, an opposition stronghold. Curiously, the opposition lost despite sweeping the board in Tucumán's four main cities. The local electoral authorities ruled out holding the elections again.

Images of burnt ballot boxes soon turned viral, prompting demonstrations. Around 10,000 took to the streets of the provincial capital on 24 August leading to a severe crackdown by the local police. Television footage of the police using tear gas, pepper spray and rubber bullets to contain the protest angered many Argentines across the country. Twenty-two people were hospitalised. An estimated 30,000 marched the following night, though on the second night the police adopted a more tolerant approach.

The police officer in command on the evening of 24 August has been charged by a public prosecutor for injuries, abuse of authority and a failure to comply with his duties. José Alperovich, the hardline *Kirchnerista* governor held responsible for the police's approach, condemned the "excesses" of the security forces.

Daniel Scioli, the presidential candidate from the ruling FPV, travelled to Tucumán to congratulate Manzur. He lamented the police's actions but laid the blame squarely on the opposition. "I understand that Mauricio Macri [the presidential candidate from the right-of-centre opposition Propuesta Republicana (PRO)] is campaigning, but he should not be motivating Tucumán residents to take to the streets because we end up having situations like the ones seen yesterday," he said.

In the immediate aftermath of the unrest, other government figures accused the opposition of seeking to use Sunday's incidents to undermine the credibility of October's elections. Aníbal Fernández, the cabinet chief, claimed that the opposition was attempting to mount "a plan orchestrated outside our country with paid saboteurs in our country". He dismissed the issue of the burnt ballot boxes, arguing that those responsible had been arrested.

Speaking on 26 August, Cano spelt out the various irregularities observed during Sunday's elections. "Two of our candidates were attacked, bags of food were handed over [to Manzur-supporting voters] and there was a mobilisation of voters, which is expressly forbidden by law, and the provincial government did nothing to stop it," Cano said.

Brazil inflation slowing

Brazil's national statistics institute (Ibge) announced that its IPCA-15 inflation index in August was 0.43%, lower than the 0.59% posted in July. This was the first time this year that the IPCA-15 dropped below 0.50%. The 12-month accumulation of the IPCA-15 is now at 9.57%.

Macri took to the microphone shortly afterwards, declaring that the event was being held "in solidarity with the people of Tucumán". Calling for electronic votes in October, Macri said, "we have to guarantee transparency, not just over what happened in Tucumán, but in the elections we have to come in a few weeks."

TRACKING TRENDS

ARGENTINA | Fernández limits privatisations. On 20 August President Cristina Fernández announced new legislation that would ensure that future privatisations of state-owned utilities or energy companies will require a two-thirds congressional majority.

In addition, Fernández wants to create a new agency to administer state holdings. If passed, it would ensure another element of her legacy is likely to bind the hands of whoever succeeds her in the presidential palace, Casa Rosada.

ARGENTINA | Hotesur. An Argentine judge has ordered the government to provide information on the tax and legal status of Hotesur, a company owned by President Cristina Fernández and her family.

The request is technical and relatively minor, but politically highly sensitive. At issue is whether, amid the growing intensity of the presidential election campaign, any evidence can be found supporting political opposition claims that Hotesur has been used as a vehicle for money laundering.

BRAZIL | Back to the bad old ways? With the central bank forecasting a contraction of close to 2% of GDP this year, and many analysts now expecting 2016 to prove a year of negative growth once again, the government is resorting to increasingly drastic moves to stimulate the economy. In its latest gambit, the Caixa Econômica Federal and the Banco do Brasil have announced a total of R\$14bn (US\$3.84bn) in credit lines for local businesses. Many economists were critical of the move, arguing that it recalled the discredited interventionist policies of Guido Manteiga, President Dilma Rousseff's finance minister in her first term.

"We are at a crossroads," Miriam Belchior, the president of the Caixa, said. "As well as the fiscal adjustment, we need to have the conditions to make it through this period. We, the banks, have been summoned." The Caixa announced its R\$5bn credit programme on 18 August; it will offer cheap credit to companies that committed to not firing their employees. A day later, the Banco do Brasil announced its R\$9bn (US\$2.47bn) programme; it has already determined the 354 companies that are eligible for the cash.

For Silvio Campos Neto, an economist at Tendências Consultoria, the cheap credit is "contradictory", given that the central bank continues to raise interest rates, which undermines consumption, while state banks pump cheap money into the economy. "The government has not been cured of its desire to stimulate the economy with a shove," he said.

Following the news, shares in Brazil's major banks fell slightly. Joaquim Levy, the current finance minister, said there would be no impact on the government's fiscal adjustment programme.

BRAZIL | Unemployment. Arguably the biggest concern for the administration of President Dilma Rousseff is rising unemployment. On 20 August, the official statistics institute (Ibge), released its unemployment data for the month of July: at 7.5% it was up 0.6% on June, and 3.6% on July 2014. The result was much higher than the consensus expected by economists. Data from Caged, the statistics organisation linked to the labour ministry, showed that 157,905 jobs were lost in July, the worst result since 1992. With the recession set to deepen, and unemployment a lagging indicator, the scenario is expected to deteriorate further.

Corruption

On 12 August just four days before the PAN party presidency elections, the Mexican daily *Reforma* released an audio recording, and transcript, on a case of corruption and misuse of public funds that allegedly implicates Ricardo Anaya Cortés. The voice of PAN Senator Ernesto Ruffo, part of Anaya's campaign team, can be heard on the audio talking to the outgoing PAN governor of Sonora, Guillermo Padrés. Ruffo asks Padrés to bankroll Anaya's campaign for party presidency in Sonora in exchange for Anaya's support of Padrés in the face of possible arrest warrants for him and members of his team when they leave office on 12 September.

Parties stage contrasting leadership elections

The internal elections to appoint new leaders for Mexico's two main political parties could scarcely have been any more different. The right-of-centre opposition Partido Acción Nacional (PAN) was engulfed in an acrimonious contest between politicians representing two warring internal factions and remains a divided force. The leadership vacancy at the head of the ruling Partido Revolucionario Institucional (PRI), meanwhile, was uncontested. Everything suggests that the party leadership election within Mexico's third largest party, the left-wing Partido de la Revolución Democrática (PRD), is more likely to resemble that of the PAN.

The PAN party presidency elections on 16 August pitted Ricardo Anaya Cortés against Javier Corral Jurado. Anaya won a decisive victory with 81% of the vote to 16% for Corral, according to the results released by the PAN national executive committee. The emphatic nature of the result glosses over the PAN's problems. Firstly, turnout was only 50% of the PAN's 477,000 registered party members, suggesting disenchantment with the options on offer. Secondly, Corral did not go quietly. His '#LaRebeliónDeLasBases' ('rebellion of the grassroots') campaign might not have chimed with members but he impugned the party hierarchy, insisting he had competed "knowing it was not a level playing field" and not "a festival of democracy".

Corral denounced intimidation in at least eight states and presented irregularities to the electoral tribunal. He said that lined against him was the party's national executive committee, the state-level party leaderships and state governors. Corral also claimed that Anaya had won the election due to the complicity of 'the Consorcio', a derogatory term he coined to refer to 'the cartels' he maintained had taken control of the party. He said this group was composed of Anaya, the outgoing PAN president, Gustavo Madero, who backed Anaya's candidacy, and powerbrokers Rafael Moreno Valle, the governor of Puebla, and Santiago Creel. Corral alleged that this coalition of *caciques* had "colluded with the political corruption of the government of President Enrique Peña Nieto".

Corral voiced corruption accusations (*see sidebar*) against Anaya during a bitter campaign in which he promised to cleanse the party of its past mistakes, foremost among which, he argued, was when it compromised its integrity and became a satellite of the PRI by signing up to President Peña Nieto's 'Pacto por México' cross-party reform agenda in 2012. Corral received the backing of Senator Ernesto Cordero, a senior PAN dissident who accused the party leadership of having presided over the worst electoral result for the PAN in 25 years on 7 June when it won a bare 21% of the national vote in the midterm federal congressional elections, down five percentage points on 2012.

Anaya will be looking to inject some youthful energy into the PAN. At just 36, he is the party's youngest president since its formation in 1939. But aside from allegations that he has been embroiled in one of the oldest vices – corruption – how far Anaya marks a break with the past is a moot point as his candidacy had Madero's full backing.

Anaya has sought to dispel suggestions he is Madero's pawn by naming Marko Cortés Mendoza as the new head of the PAN bench in the federal lower chamber of congress, which will recommence sessions again on 1 September. Madero headed the PAN list of plurinominal deputies and, by

Beltrones

Manlio Fabio

Beltrones was sworn-in during a ceremony in the Partido

Revolucionario

Institucional (PRI)

party headquarters attended by many

members of the

cabinet, such as

Foreign Minister José

Antonio Meade,

Energy Minister

Pedro Joaquín

Coldwell (himself a

former party

president) and

Finance Minister Luis

Videgaray, as well as

governors, mayors,

federal and state

senators and

deputies and other

party members. But

one notable

absentee at

Beltrones's

investiture was the

interior minister,

Miguel Ángel Osorio

Chong. The two men

are early frontrunners

for the PRI

presidential

candidacy in 2018.

tradition, should have been awarded the position. The apparent snub incensed *Maderistas*, several of whom called for Anaya to reverse his decision during the very first plenary session of the party's group of newly elected federal deputies in Tijuana, Baja California, on 24 August. Anaya's communications team tried to downplay the friction by publishing a photo of Anaya flanked by Cortés and Madero, while the new party president himself insisted, with rather unconvincing confidence, that the PAN would emerge "strong and united" behind Cortés.

Anaya was adamant that he will not tolerate "a single act of corruption", saying that one of his main priorities in the new congressional session will be to push forward secondary legislation related to the new national anti-corruption system. Anaya said he would release his personal financial statement and tax returns, and cut the party's payroll by 50%, as well as reducing his own salary.

Another priority for Anaya is "to roll back the damaging fiscal reform", which is consistent with his stated approach to provide "critical opposition" to the government, balancing selective support for government initiatives, like a responsible opposition party, with a clear assertion of the party's convictions as it enters a busy electoral period. He said the PAN must take the PRI government to task for having "proposed a change of security strategy but halfway through its six-year term it has still not explained remotely clearly the change of strategy". Anaya's main challenge is the run-up to presidential elections in 2018, with gubernatorial elections in 16 of Mexico's states marking an important staging post next year.

PRI backs Beltrones

Four days after Anaya was proclaimed the new PAN president, Senator Manlio Fabio Beltrones was anointed as the PRI's new leader – unopposed. In contrast to Anaya's snub to Madero, Beltrones appointed his predecessor, César Camacho, as the head of the party bench in the federal lower chamber.

The PRI does not have an internal rift akin to the PAN's but there is similar unease about the party's performance in the midterms. Beltrones will need to reach out to new voters for although the PRI and its allies hung on to a majority in the 500-seat federal lower chamber of congress after the 7 June elections, its performance in the concurrent gubernatorial, state legislative and municipal elections was lacklustre: the PRI's overall share of the national vote fell from 32% to 29%, and it suffered some painful reverses at state-level, above all the governorship of the industrial powerhouse of Nuevo León to the independent candidate, Jaime 'El Bronco' Rodríguez Calderón.

Beltrones, 62, positioned himself as "a bridge between various generations", reaching out to the younger generation by promising a robust defence of human rights and meeting their demands for a more secure and better future. He appeared to be rising to the challenge posed by the PAN's youngest-ever leader. Beltrones is also conscious of the need to widen the PRI's appeal; to convince young Mexicans disenchanted with the country's political class that the party is attuned to their needs.

The emergence of a charismatic outsider, like 'El Bronco', capable of defeating the PRI's well-oiled electoral machine, is a genuine concern in the 2018 presidential race. The PRI will also be aware of the threat that the twice former leftist presidential candidate, Andrés Manuel López Obrador, could pose at the head of his own new party, the radical left-wing Movimiento Regeneración Nacional (Morena), which made an impressive electoral debut in June.

PRD's travails

Morena's rise has come at the expense of the PRD, which emerged battered and bruised from last June's midterm elections but remains the country's

Informal sector

The Inegi report also provided further evidence of one of the other longstanding problems affecting Mexico's labour market – informality. The Inegi found that 57.8% of Mexico's economically active population (EAP) was employed in the informal economy in the second quarter, a 2.5 percentage point increase compared to the second quarter of 2014.

third largest party. An editorial in the national daily *Excelsior* on 17 August cited Seneca – “If one does not know to which port one is sailing, no wind is favorable” – to describe the predicament facing the PRD. The prime example of this was the decision by the PRD's governor-elect of Michoacán, Silvano Aureoles, to write a letter on 12 August to López Obrador, praising his leadership and inviting him and Morena to form part of his new state government.

Aureoles's overtures were unceremoniously rebuffed. “We don't make accords or alliances with those with whom we have nothing in common”, López Obrador said. “Silvano is neither an option nor an alternative. He is allied to the mafia of power. If he wants to make an alliance, he should do so with the people of Michoacán”.

López Obrador's pejorative response might actually help the PRD to grasp the fact that there is no future for the party with Morena; that Morena wants to displace and wipe out the PRD as Mexico's main party on the Left not cooperate with it. This could assist Jesús Ortega, the leader of the Nueva Izquierda (NI) PRD faction and an inveterate rival of López Obrador, who insists that the PRD “needs to differentiate itself from any type of demagogic populism that only criticises...and has no solid response to the big national problems”.

TRACKING TRENDS

MEXICO | Finance ministry cuts growth forecast. On 20 August Mexico's finance ministry (SHCP) announced that it was reducing its GDP growth forecast rate for the year from 2.25%-3.3% to 2%-2.8%. The SHCP said that this downwards revision was mainly due to the fall in international oil prices, which has resulted in lower levels of domestic oil production, and to the current “complex and volatile” global economic environment.

The new forecast followed the release of the latest economic growth figures by the national statistics institute (Inegi), which found that the domestic economy grew by 2.2% year-on-year in the second quarter, higher than the 1.7% registered during the same period of last year but lower than the 2.6% registered in the first quarter of 2015.

Deputy Finance Minister Fernando Aportela said the SHCP had adjusted its forecast to bring it into line with lower expectations of global economic growth and the lower oil production, which has reduced GDP growth in the quarter by 0.4% as the price of Mexican crude has fallen to under US\$40 per barrel. Warning about the persistence of some global downside risks such as a deeper-than-expected recession in Russia and Brazil and an economic slowdown in China, Aportela said domestic GDP growth this year could end up being even lower.

However, Aportela highlighted that despite this complex scenario, Mexico's economic growth was showing itself to be “resilient” and that the country's growth rate compared favourably with other regional economies, with the likes of Chile and Argentina currently growing at lower rates and Brazil posting negative growth.

MEXICO | Unemployment rate remains low. On 14 August Mexico's national statistics institute (Inegi) published its latest unemployment figures, which put the national unemployment rate for the second quarter of the year at 4.3% of the economically active population (EAP), marginally lower than the 4.4% registered in the preceding quarter and the 4.9% rate registered in the second quarter of 2014.

This result suggests that the general level of unemployment in Mexico remains low and that this may potentially be the country's natural unemployment rate. However, the Inegi figures show that the national level of underemployment – those individuals that work fewer hours than they would like to – remains relatively high. According to the Inegi report, the underemployment rate reached 8.3% in the first quarter of 2015, marginally higher than the 8.2% registered in the comparable period of 2014.

The high underemployment rate may help explain why even though the unemployment rate has remained low, the performance of Mexico's domestic economy in recent years has been underwhelming with an average GDP growth rate of less than 3%.

Quotes of the week

“I will not resign and I will fight with determination and abide by the appropriate legal processes.”

Guatemala's President Otto Pérez Molina.

“We are victims of capitalism, of the capitalist paramilitary model of the Colombian Right. It is a brutally savage model.”

Venezuela's President Nicolás Maduro.

“I know that Mexico comes first, then the PAN and then each one of us with our personal political projects. The time has come for regeneration, a profound renewal and regeneration of the Partido Acción Nacional.”

Ricardo Anaya Cortés, the new party president of Mexico's right-of-centre opposition party, Partido Acción Nacional (PAN).

POSTSCRIPT

Ecuador's indigenous beat retreat but Correa still under pressure

Ten days after arriving in Quito after an 11-day march from southern Ecuador a group of protesters from the indigenous organisation, Conaie, have decided to abandon the capital. Conaie's president, Jorge Herrera, insisted that the 'uprising' against the government led by President Rafael Correa would continue in the provinces but this marks a big climb down as he had previously maintained that he would not leave Quito "empty-handed". The Correa administration has not met any of Conaie's demands, including a call to archive the constitutional reforms, currently before the national assembly which, among other things, would allow indefinite presidential re-election.

After a popular assembly in Quito's 'El Arbolito' park with delegates of other social organisations to define an agenda for new mobilisations, Herrera said Conaie had decided to continue the 'uprising' at a national level. Conaie did take part in a march in Quito with members of the trade union Frente Unitario de Trabajadores (FUT) on 26 August to demand the release of some 60 protesters arrested during the general strike on 13 August. Conaie and the FUT have also called for a convention of workers and social movements for 29 August, as well as another popular national assembly for 15 September, with delegates from across the country, and a national march the following day.

Conaie's attempt to keep the pressure on the Correa administration might just have petered out in the provinces at any other time but economic developments are conspiring to assist. Last week the finance minister, Fausto Herrera, was compelled to slash a further US\$800m from Ecuador's budget this year due to low oil prices. Herrera cut US\$1.42bn from the budget last January, and although he downplayed the latest cuts as "investment projects that can be deferred until later years and will not affect economic growth and employment", Correa's popularity rests in large part on public spending.

Meanwhile, the United Nations Special Rapporteur on the rights of indigenous peoples, Victoria Tauli-Corpuz, called on 24 August for a just and impartial investigation into the violence surrounding the protests and general strike and indigenous claims of "the excessive use of force by the police and military". Tauli-Corpuz also urged the authorities not to criminalise popular protests, and to create space for dialogue between both sides. The government has refused to talk to those it accuses of carrying out violence that resulted in 104 police officers being injured.

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