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## Mexico's government faces credibility challenge

Mexico's federal government will wage a big battle for credibility on several fronts between now and 12 important gubernatorial elections next year. One of these fronts is human rights. This is attracting the most media coverage, not least because the government has invited a succession of high-profile international figures to Mexico to evaluate the country's progress in this area, only to take issue with their findings. Another key front is corruption in state institutions and law enforcement bodies permitting the escape last July of the drug kingpin, Joaquín 'El Chapo' Guzmán Loera, from a maximum security prison. And then there is education. The pugnacious teachers' union Coordinadora Nacional de Trabajadores de la Educación (CNTE) is staging national strikes as part of an attritional struggle to force the government to backtrack on its seminal education reform.

Just days after receiving a painfully candid assessment of its shortcomings in the field of human rights from the Inter-American Commission on Human Rights (IACHR), the administration led by President Enrique Peña Nieto invited the United Nations High Commissioner for Human Rights, Zeid Ra'ad Zeid al-Husseini, to Mexico. Zeid pulled even fewer punches. As with the president of the IACHR, Rose-Marie Belle Antoine, Zeid cited progress made in specific areas by the Mexican government in addressing human rights failings but he was forthright in his criticism. Zeid, in particular, urged the Mexican government to set a firm deadline for removing the military from the streets and replacing them with well-trained police. He said: "it has to be driven by a sense of real urgency, real urgency. It's not something that can wait endless months".

Zeid, who met President Peña Nieto on 7 October, then went on to accuse the government of "intolerance of public criticism" which he said had "manifested itself in reactions to most other recent international human rights reports on Mexico". He added that "My message on this new and disturbing trend, which is so at odds with Mexico's constructive role at the Human Rights Council in Geneva, is as follows: instead of shooting the messenger, let us focus on the message."

The day after Zeid's comments, the federal attorney general (PGR), Arely Gómez, appeared before the federal senate. Gómez said that a special unit within her office would be created to supervise investigations in the search for disappeared people, numbering as many as 26,000 since 2007. She promised that seven independent experts would be assigned to analyse the rubbish dump in Cocula where the initial PGR investigation claimed a criminal gang had incinerated the bodies of the 43 missing students from the Ayotzinapa training college in Iguala in September 2014. Gómez also said that new lines of investigation had identified new "material authors" involved in the Iguala case. The PGR also published its much-criticised original report into the case.

“The devastatingly corrosive impact of organised crime and the huge amounts of money these gangs command is co-opting or corrupting key institutions, and in some areas reducing Mexico’s impressive array of laws to mere words on paper. The combination of fear, greed and chronic impunity is potent, and millions of people are suffering from this poisonous cocktail which once brewed is hard to eliminate.”

- *The UN High Commissioner for Human Rights, Zeid Ra’ad Zeid al-Husseini.*

Zeid had singled out the Iguala case as “a microcosm of the chronic problems underlying the relentless wave of human rights violations taking place across Mexico. In particular, it highlights the prevalence of impunity and the disregard for victims that affect the entire country”. But while he did not mince his words Zeid also stressed that senior Mexican officials had shown a determination to reverse this trend, adding by way of encouragement that “the Government that taps fully into its citizens’ desire and ability to create a State that works, is the Government that will be remembered and praised by future generations [and] be able attract a massive influx of foreign direct investment...”

Along with the Iguala case, the other big scandal with which the government is wrestling is the escape of ‘El Chapo’ from the Altiplano maximum security prison. The government has just extradited 13 prominent prisoners to the US as it seeks to repair damaged trust with its northern neighbour and get security cooperation back on track [WR-15-40]. Gómez revealed during her senate grilling that 23 government employees had now been arrested as the government seeks to root out the corrupt network that aided ‘El Chapo’ in his flight, as well as a pilot upon whose identity and precise role she did not elaborate.

### **Rebellious teachers**

These are the two biggest scandals to rock the Peña Nieto administration and their repercussions will be felt for years. But there is another major challenge to the government’s credibility in an area where it has made significant progress. This is education reform. Education was the trailblazing reform of the Peña Nieto administration more than two years ago, preceding a succession of significant reforms, culminating in the energy reform to end the monopoly of the state-controlled oil company Pemex. But the CNTE is fighting tooth and nail against the implementation of the education reform which will reach a crucial point in November when teacher performance appraisals in the form of tests take place. Three failures and a teacher will be removed from the classroom.

The CNTE opposes teacher evaluation because it would denude the union of its power. The CNTE supports the age-old corrupt system of hereditary posts or allowing retiring teachers to sell their positions. It has staged two strikes already this month on 2 and 12 October. The strikes, which consist of disruptive protest marches, roadblocks and enforced closures of banks, shops and Pemex facilities, were mainly confined to the poorer southern states where the CNTE enjoys the strongest influence. They are being spearheaded by the most militant wing of the CNTE, Sección 22 in Oaxaca, led by Rubén Núñez.

Some 65% of schools were closed because of the strike in Oaxaca, where access to the airport was blocked, and 30% in Michoacán. There were fewer closures elsewhere but border crossings to Guatemala were blocked in Chiapas holding up trucks; 3,000 people in Guerrero, including relatives of the 43 missing students, blocked the motorway to Acapulco; and police used tear gas to disperse protesters who were blocking a motorway toll booth in Tabasco. A march in the Distrito Federal to the federal education ministry (SEP) had fewer participants (800) than police monitoring it.

Even in Oaxaca, the strike did not translate into widespread support for the protests. Moisés Robles, the director of the Instituto Estatal de Educación Pública de Oaxaca (Ieepo), said that while 50,000 teachers did not go to class, only 2,850 took part in the protests. Robles took this as evidence of the diminishing influence of the CNTE since it was removed completely from the Ieepo, where it had enjoyed a dominant presence, when the institute was revamped last July.

If the strikes were designed to test the mettle of the education minister, Aurelio Nuño, they did not have the desired effect. Nuño, who was Peña

## Morena support for CNTE

Andrés Manuel López Obrador, the twice former presidential candidate and leader of the radical left-wing Movimiento Regeneración Nacional (Morena), offered full support for the CNTE strike and criticised the police for cracking down on legitimate protests. Martí Batres, the president of Morena, accused the federal government of “imposing” the education reform “without any consensus”. Morena is hoping to perform strongly in the 2016 gubernatorial elections in Oaxaca, where it came second behind the PRI in the federal congressional elections last June.

Nieto’s chief of staff until assuming his current post some six weeks ago, said that teachers who went on strike would be docked their wages for the day and stressed that the SEP was operating a ‘three strikes and you’re out’ policy – teachers would be dismissed, Nuño said, if they went on strike three times in the space of one month. As the CNTE mooted radicalising protests, Nuño said he would be “very firm in applying the law, and in continuing to implement the education reform”, which he said was absolutely essential to lift the poor education standards in Mexico and improve its position in the Programme for International Student Assessment (Pisa) of the Organization for Economic Cooperation and Development (OECD).

### Former governor of Colima survives gun attack

Two gunmen opened fire on the former governor of the western state of Colima, Fernando Moreno Peña (1997-2003), while he was eating breakfast in a restaurant on 12 October. Moreno Peña sustained six bullet wounds. He was taken to hospital and is said to be in a “delicate but stable state”.

The incumbent governor, Mario Anguiano Moreno, who like Moreno Peña belongs to the Partido Revolucionario Institucional (PRI), appealed to the federal authorities for assistance in capturing those responsible and in preventing the state, which is sandwiched between the conflict-riven states of Jalisco and Michoacán, from becoming a new focus of violence in Mexico. Moreno said he had spoken to the federal interior minister, Miguel Ángel Osorio Chong, to receive such an assurance.

Another former Colima governor, Jesús Silverio Cavazos Ceballos (2005-2009), was assassinated in November 2010. He had completed the term of Gustavo Vázquez Montes, who died in a plane crash in February 2005. Despite the clear risks associated with serving as a governor in Colima, the level of violence associated with organised crime is much lower here than in its larger neighbours.

## MEXICO & NAFTA

### TRACKING TRENDS

**MEXICO | CDPQ investment.** On 12 October at the start of a six-day visit to Mexico, Quebec’s Prime Minister, Philippe Couillard, confirmed that the Canadian province’s investment firm, Caisse de dépôt et placement du Québec (CDPQ), will invest US\$2.1bn over the next five years to help develop Mexico’s national infrastructure. Couillard made the announcement after holding a meeting with President Enrique Peña Nieto at the Los Pinos presidential residence, in which the two talked about Mexico-Canada economic relations and ways to boost competitiveness in the trilateral North American Free Trade Agreement (Nafta) area.

Couillard explained in a press conference after the meeting that he and Peña Nieto had agreed to explore new cooperation opportunities between their respective governments in areas such as trade, culture, education, research & development and climate change. In this context, Couillard said that the CDPQ was interested in helping finance Mexico’s national energy infrastructure programme launched by the Peña Nieto administration in support of its flagship energy sector reform. According to Couillard, the CDPQ would do this by working with various Mexican pension fund administrators (Afores) to identify investment opportunities.

Couillard, who was accompanied by 70 Québécois businessmen, also signed a number of agreements with Mexican ministers in the areas of tourism, environmental protection and energy cooperation. Mexico’s federal electricity commission (CFE) signing a memorandum of understanding with Quebec’s electric company, Hydro-Québec, the world’s largest producer of hydroelectric energy.

According to Mexico’s foreign ministry (SRE), Québécois firms currently have investments in Mexico’s energy, financial, aerospace and information technology sector. Mexico is Quebec’s third largest trading partner with bilateral trade reaching US\$4.37bn last year, 48% higher than Quebec’s trade with France. Meanwhile, 6% of Mexican exports to Canada went to Quebec last year; and 20% of Canada’s exports to Mexico came from Quebec.

**Uribe faces accusations on eve of elections****Uribe**

Not only did 'Don Berna' implicate Alvaro Uribe in the El Aro massacre itself but also in the silencing of one of the perpetrators of the crime, Francisco Villalba, who while behind bars insisted upon Uribe's involvement. Villalba was later released, having retracted his allegations. He was murdered by men described by 'Don Berna' as "more Uribista than Doña Lina [Moreno, Uribe's wife]".

Colombia's attorney general's office has appealed to the supreme court to determine if there is sufficient evidence to open an investigation into former president Alvaro Uribe (2002-2010) for alleged links to paramilitaries. The timing of the move has incensed Uribe's right-wing Centro Democrático (CD). Regional and local elections take place on 25 October and the CD claims that it is the victim of overt political persecution. The prosecutor general, Alejandro Ordóñez, an Uribe ally, even alleged that the Fuerzas Armadas Revolucionarias de Colombia (Farc) had made Uribe's prosecution a precondition for peace.

The attorney general, Eduardo Montealegre, requested that the supreme court investigate Uribe for collaborating with the now-defunct Autodefensas Unidas de Colombia (AUC) paramilitaries when he was governor of Antioquia between 1995 and 1997 and, specifically, for indirectly participating in a brutal massacre in El Aro. In October 1997 some 150 AUC paramilitaries entered El Aro, located in the municipality of Ituango in northern Antioquia, in the Paramillo massif, considered a strategic area for guerrillas. Over the space of four days they butchered 15 people, razed most of the houses to the ground, and stole 1,000 head of cattle. The rest of the local inhabitants were displaced.

It is not the first time Uribe has been linked to this massacre. There were allegations against him during the justice and peace process in 2006 when the AUC demobilised – but nothing was proven. The attorney general's office picked up the case again last February when a woman who survived the massacre but whose husband was tortured and killed alleged that a yellow helicopter of the Antioquia government circled overhead during the killings; lawyers for the victims claim the paramilitaries received supplies from the air.

Last August the attorney general's office sent a team to interview the imprisoned AUC leader, Diego 'Don Berna' Fernando Murillo, who is serving a prison sentence in the US for drug-trafficking, about the El Aro massacre. 'Don Berna' spoke at some length about the paramilitaries involved – and implicated Uribe (*see sidebar*).

Uribe tweeted that he was "accustomed to infamy especially during electoral campaigns". Uribe said the allegations had been made by false witnesses. The fact that 'Don Berna' is a convicted drug-trafficker and that he was extradited to the US when Uribe was head of state does not exactly make him the most reliable or the most disinterested party either.

The CD released a statement accusing the attorney general's office of having "prefabricated testimony in complicity with 'Don Berna' to lynch...and silence former president Uribe". It alleged that this was part of the government's "obsession to legitimise the Farc", encapsulated by the handshake between President Juan Manuel Santos and the Farc's maximum leader, 'Timochenko' (Rodrigo Londoño Echeverri).

Francisco Santos, Uribe's former vice-president who is running for mayor of Bogotá for the CD, warned that Colombia was becoming like Venezuela under President Nicolás Maduro. He accused Montealegre of being "a pawn of the regime...helping the government pursue the opposition rather than serving the justice system".



## **Farc massacres**

Captured Farc member 'Ómar' or 'Cuñado' has been accused of involvement in several massacres in the departments of Chocó and Antioquia, the most notorious of which was the attachment of a cylindrical bomb in a church in Bojayá in Chocó in May 2002. People had sought refuge in the church from violent clashes between the Farc and the AUC paramilitaries: 79 civilians, including 48 children, were killed when the bomb exploded. He was also behind an attack in November 2000 which brought down a helicopter in Dabeiba, Antioquia, killing 53 members of the military onboard.

Irrespective of whether there was any such intent, the timing of Montealegre's move was clumsy. Far from damaging the CD, however, it should end up helping the party which, according to opinion polls, was heading for a disappointing performance in the regional and local elections with Francisco Santos, for one, well off the pace in Bogotá where Uribe has traditionally done well.

Placing the full focus of individual campaigns on Uribe, and the "injustices" he faces, in the closing stages should benefit CD candidates. On 9 October while Uribe was touring seven municipalities in the centre-west department of Caldas, the CD's municipal candidates changed their campaign slogans to 'He who is with Uribe is with me'.

The CD party leadership, meanwhile, seized upon Montealegre's move as confirmation of the political persecution of which it has long claimed to be a victim. It urged voters to respond to "the Santos [President Juan Manuel]-Maduro-Montealegre-Timochenko axis" by voting for CD candidates to support Uribe.

There is less evidence for such an axis than there is for Uribe's paramilitary links. But the CD is tapping into genuine concerns that Farc guerrillas, especially members of the secretariat, will get off scot free under the proposed transitional justice system while Uribe, who delivered such telling blows against the Farc while in office before becoming the most prominent critic of the current peace process, could now face prosecution.

Suspicion of the Farc is so deep that Ordóñez's claim that the prosecution of Uribe is a guerrilla precondition for peace does not appear incredible. The Farc's chief negotiator, 'Iván Márquez' (Luciano Marín Arango), denied this week that the Farc had made any such demand, calling Ordóñez "shameless", but the Farc's stock of credibility with the public is low, its latest spat with government negotiators in Cuba over the transitional justice system confirming this.

## **Transitional justice system**

The Farc insists that the accord struck over transitional justice is final; the government negotiating team argues that final details, such as the election of magistrates, need to be ironed out. One of the aspects of this particular accord which is not clear is whether guerrillas arrested now should face judicial proceedings forthwith or be placed in detention until the peace accords with the Farc are sealed on 26 March next year, if indeed they are, and tried under the transitional justice system; and if they are tried in a normal court of law now could they seek a retrial under the special transitional system at some stage in the near future.

Just last week Colombian authorities captured a member of the Farc called 'Ómar' or 'Cuñado' (Jairo Alirio Puerta Peña) in the municipality of San Francisco in Antioquia. Of all the Farc guerrillas who could benefit from a reduced sentence of eight years doing community work this would be one of the most controversial. The defence minister, Luis Carlos Villegas, called 'Ómar' "one of the most predatory members of the Farc". He is accused of participating in a series of massacres that claimed more than 100 lives over the last 15 years (*see sidebar*).

## **Farc to end recruitment**

The leader of the Farc, 'Timochenko' said this week that the guerrilla group was debating whether to stop all recruitment. "At this stage of the peace process I think we should suspend recruitment," he tweeted. This followed his call for guerrillas to stop training and devote themselves to studying politics.

Last February the Farc announced that it would stop recruiting fighters younger than 17, lifting its minimum age by two years. It also denied "forcefully recruiting minors" despite evidence to the contrary amassed by the authorities.

### Bolivian social benefits

On 8 October Bolivia's President Evo Morales guaranteed that his government will maintain its full range of social benefits despite the fall in international oil and gas prices, which account for a large part of the country's revenue. In a statement Morales highlighted that it was due to the strength of Bolivia's domestic economy that the country could continue with its wide-ranging social welfare schemes. Recently Morales has noted that the fall in hydrocarbon prices would result in his government receiving US\$3bn less in revenue this year. Morales's vow came after he launched a new scheme benefitting pregnant mothers that lack medical insurance. The 'Subsidio prenatal universal' scheme will give women in the last four months of their pregnancy a Bol\$300 (US\$42.5) food stipend.

PERU-COLOMBIA | **Praised by IMF, WBG.** On 11 October the managing director of the International Monetary Fund (IMF), Christine Lagarde, heaped praise on the governments of Peru, Colombia, Mexico and Chile for adopting policy measures that will help to improve their respective future economic outlooks. Lagarde's comments came at the close of the IMF and World Bank Group (WBG)'s annual board of governors meeting held in Lima between 9 and 11 October. This was the first such meeting to be held in Latin America since 1967. Chaired by the governor of Mexico's central bank (Banxico), Agustín Carstens, hundreds of country officials travelled to Lima to discuss a variety of issues affecting the global economy.

In her closing statements, Lagarde outlined some of the obstacles facing the global efforts to eradicate extreme poverty, such as climate change, weak economic growth, and the ongoing crises in some fragile States. Lagarde said that the global economy is currently stuck in a "new mediocre" growth pattern as many of the emerging economies, once the drivers of global economic growth, have started to slow down as a result of a fall in international commodity prices and lower economic growth in China, leaving the world's economy on shaky ground. Lagarde drew particular attention to Brazil and Venezuela as examples of two countries that have been affected by the current adverse international conditions and that have seen their domestic economies stagnate.

However, Lagarde said that despite the more adverse global economic scenario, other Latin American countries had succeeded in implementing some significant economic reforms since the 2008-2009 global financial crisis that have allowed them to deal with the current global economic slowdown better. Thus while noting that on the latest IMF estimates Latin America as whole will post negative economic growth this year (of 0.3%), "Chile, Colombia, Peru and Mexico have made some robust reforms that are going to transform their respective economies and they will reap the benefits of these measures". Lagarde's remarks were welcomed by officials from both the Colombian and Peruvian governments present at the conference as recognition for their economic policymaking efforts, even after the IMF reduced its growth forecast for both in its latest World Economic Outlook (WEO) report.

The fact that all four countries singled out for praise by Lagarde comprise the Pacific Alliance trade bloc did not escape anyone. Peru's economy & finance minister, Alonso Segura, said that this was no coincidence; highlighting the success of the strategy of the Pacific Alliance countries of relying on open economies that seek to be fully integrated into the global economy via the promotion of free trade. Alonso then went on to encourage Colombia to take heart from this and to join the Trans-Pacific Partnership (TPP) trade grouping given that it is the only Pacific Alliance country that did not take part in the TPP negotiations that were concluded earlier this month. Incidentally during the event it was announced that Colombia is to preside over next IMF and WBG board meetings to be held in Washington D.C. in October 2016.

COLOMBIA | **2015 budget approved.** On 13 October Colombia's senate gave final approval to the 2016 draft national budget prepared by the government led by President Juan Manuel Santos. The Col\$215.9trn (US\$74.15bn) budget is 2.5% higher than this year's but it includes a drastic Col\$2.4trn cut in government operating costs that will mostly fall in the areas of education, health and science & technology.

The Santos administration has said that the budget has been designed to help it address the current economic climate, marked by low international oil prices, which has negatively impacted the government's finances. Finance Minister Mauricio Cárdenas said that "we have achieved a budget that will allow Colombia to adapt to the end of the boom in the mining and energy sector, as in 2016 we will earn minimal revenue from the oil sector".

Indeed, Cárdenas stressed that in this scenario oil exports will no longer represent half of the country's total exports. Cárdenas added that as a result of this the Santos administration had decided to pursue an 'intelligent austerity plan' by which it would be "tightening its belt" in order to ensure that the Colombian economy is protected from global economic uncertainty.

## Supreme court injunction delays impeachment plans

### Slowdown

While the debate over impeachment rages on, government business has slowed. Following the supreme court ruling, Renan Calheiros, the president of the federal senate, decided to push back to mid-November a congressional vote on further austerity measures. Twice last week, the government failed to gather sufficient votes to ensure the presidential vetoes on new spending measures were rubber-stamped by congress. Calheiros said that this week would not be a good one for “controversial” votes.

Under Brazilian law, it is the sole prerogative of the speaker of the federal lower chamber of congress to initiate impeachment proceedings against a head of state. However, Eduardo Cunha, the current speaker of the lower chamber, and other opposition deputies in favour of impeachment, had designed a ruse to circumvent that particular legal obstacle. According to local media, Cunha planned to reject officially one of the impeachment requests before the chamber; the opposition would then appeal that decision. Such an appeal would only require a simple majority to overturn Cunha’s ruling and would therefore authorise the establishment of a committee to investigate impeachment proceedings. But on 13 October, the federal supreme court (STF) intervened, complicating Cunha’s plans and providing some valuable time for the government to mount a further defence.

The STF issued an injunction, temporarily blocking this manoeuvre, and gave Cunha 10 days to appeal the decision. The speaker has made clear that he intends to do just that, possibly as early as 16 October. The ruling does not in any way impact Cunha’s right to open an impeachment process himself, and opposition deputies are already working on an updated impeachment request. The strongest case against President Dilma Rousseff relates to her alleged violation of the law of fiscal responsibility, because of her government’s use of ‘creative accounting’ techniques used to disguise a budget deficit. However, the impeachment request currently on Cunha’s desk relates to 2014, in Rousseff’s previous term. Under the constitution, Rousseff can only be impeached for crimes committed during her present term of office, so the opposition is gathering evidence that these techniques continued into 2015.

### Cunha under pressure

In parallel with the tortuous debate over the legal technicalities of impeaching the president, Cunha is under enormous pressure over mounting evidence of personal corruption. On 13 October, 46 federal deputies submitted a document to congress’s ethics committee calling for the speaker to be stripped of his political powers for lying to the legislature. During the congressional hearings in March into the state-controlled oil company Petrobras, Cunha denied he had any foreign bank accounts: last week Swiss authorities revealed he had four there.

Though the driving force behind the petition to oust Cunha is the left-wing Partido Socialismo e Liberdade (PSOL), others from the right-wing opposition, including the Partido da Social Democracia Brasileira (PSDB) have also called for him to stand down. As such, the ruling Partido dos Trabalhadores (PT) believes that Cunha might be persuaded to abandon his push for impeachment in return for some alleviation in the pressure he faces. On 12 October he met Jaques Wagner (PT), Rousseff’s new cabinet chief: the content of the discussion has so far not been divulged.

Speaking after the STF decision on 13 October, Cunha addressed a roomful of opposition deputies clamouring for Rousseff’s impeachment. “I am being abandoned by you,” he said. “I have begun to be convinced that if I hand over Dilma’s head, the next day you will come for mine.” Cunha lamented that he appeared to be the sole political target of the attorney general, Rodrigo Janot in the investigation into the Petrobras corruption scandal. “The PT wants to accuse me of running the Petrobras scheme and no-one is willing to defend me. On the contrary, there are even PSDB senators calling for my removal.”

**Rousseff tries to convince Colombia to look south**

In the first state visit by a Brazilian president to the country since 2005, President Dilma Rousseff travelled to Colombia on 9 October, four days later than planned due to the political crisis unfolding in Brasília. Trade between the two countries has grown by 165% since the last occasion a Brazilian head of state, Lula da Silva (2003-2011), visited, to reach around US\$4bn a year. But it is worth noting that despite the fact Colombia is the third largest economy in the region, it is still only Brazil's seventh-largest trading partner among Latin American countries.

Ostensibly, the purpose of President Rousseff's visit was to persuade Colombia to begin "looking south", given that much of its trade strategy has been focused on expanding access to "northern" markets (the US) and, more recently, eastern markets (China). Brazil is also trying to promote more integration between the Southern Common Market (Mercosur) trade bloc (comprising Brazil, Argentina, Paraguay, Uruguay, Venezuela and Bolivia) and the Pacific Alliance trade bloc (consisting of Colombia, Peru, Mexico, Chile and Costa Rica).

The two trade blocs have very different approaches to trade, however, with Mercosur far more focused on developing its internal market through protectionist measures, and the Pacific Alliance more enthusiastic about free trade. Bolivia is also a stumbling block for further integration. Last July Bolivia was incorporated as a full member of Mercosur (although this still has to be ratified by the respective national legislatures) but it also wants to be considered a 'Pacific Rim Nation'. The new Trans-Pacific Partnership (TPP), of which Chile, Mexico and Peru are members, is another complicating factor.

Rousseff's visit began with a ceremony of full military honours in the presidential palace in Bogotá. Afterwards Rousseff and her Colombian counterpart, Juan Manuel Santos, signed various agreements on bilateral investments, cooperation on indigenous affairs and border issues, and a deal on a joint IT venture.

Carlos Eduardo Abijoadi, the director of development at Brazil's national confederation of industry (CNI) said that the visit of Rousseff would also help to accelerate the approval of the ACE59, the agreement which would create a free trade zone for products traded between Colombia, Ecuador and Venezuela, on the one hand, and Argentina, Brazil, Paraguay and Uruguay on the other.

Abijoadi argued that ACE59 was essential for boosting Brazil's presence in the Colombian market which is far from reaching its potential. As an example, he cited the Brazilian automotive industry, which has just a 3%

**Peace process**

In a declaration after the meeting, President Rousseff praised the Colombian peace process, describing it as "a source of pride for the hemisphere as the success of the negotiations transcends frontiers and is an example to the world".

**Brazil to lose out over TPP?**

After nearly eight years of negotiations, on 5 October, 12 Pacific-rim nations, representing 40% of the world's GDP, signed the Trans-Pacific Partnership (TPP). If ratified, the TPP would reduce 90% of trade tariffs among the participating nations to zero by 2017. Some analysts argue that Brazil is being left behind and will see its world trade opportunities restricted as a result of the TPP because Brazil is "ideologically" bound to Mercosur, constricting any major FTAs outside of this community.

A study by economists at the Fundação Getulio Vargas (FGV) in Rio de Janeiro concluded that Brazil's exports might suffer a contraction of 2.7%. However, other analysts affirm that the losses should be much larger – meat, sugar, iron ore, and even coffee that Vietnam produces. The majority of Brazil's manufactured exports go to the Americas, and more than 50% of Brazil's agro-exports go to Asia.



## Reaching out to the undecided

### Central bank plans

Both Mauricio Macri and Sergio Massa have made it clear they would dismiss Alejandro Vanoli as the president of the central bank if they win. Vanoli has come under fire in recent years due to rising inflation and the emergence of foreign currency black markets. Both Macri and Massa had vowed in the past to put an end to restrictions on the US dollar trade, which Vanoli initially backed. Vanoli has hinted he supports the policy changes promised by Scioli, who has argued that those restrictions could be lifted “gradually”.

With under two weeks to go until polling day, the leading candidates in the Argentine presidential election are attempting to reach out beyond their core supporters. Daniel Scioli, the candidate of the ruling Frente para la Victoria (FPV) faction of the Partido Justicialista (PJ, Peronists), has been seeking to reassure Argentina’s business community in an attempt to gain enough support to win outright in the first round on 25 October. Meanwhile Mauricio Macri, from the centre-right opposition Cambiemos coalition, is attempting to reach out to non-Kirchnerista Peronists, while Sergio Massa, from Una Nueva Alternativa (UNA), is promoting a tough line on law and order issues in the hope of securing a place in a second round run-off.

Speaking at the IDEA business institute in Mar del Plata on 14 October, Scioli sought to strike a conciliatory tone, following the tense relationship between Argentina’s business community and the government under President Cristina Fernández. “Every fiscal, financial or commercial issue that we have to review in this context of low international prices will be reviewed to ensure profitability and to move forward,” Scioli said.

Scioli’s campaign has also hinted at a less protectionist approach under his presidency, under the slogan: ‘more Argentina in the world and more of the world in Argentina’. Earlier this week, Scioli played the part of an international statesman by visiting Tabaré Vázquez in Uruguay and Dilma Rousseff in Brazil. According to local press reports, he told the Brazilian president that he would put an end to some of the import permits that have blocked foreign goods from entering Argentina, and which have been questioned by the World Trade Organization (WTO).

### Macri the Peronist

Macri, conscious that his polling numbers have stalled over recent weeks, has been attempting to appeal to traditional Peronists. As well as identifying himself strongly with the agricultural sector, which has long been at loggerheads with the government over export tariffs, Macri has attempted to reclaim Peronism for the centre-right. “Some call themselves Peronists but they dedicate themselves to fiddling the poverty statistics,” he said at the unveiling of a statue to Juan Domingo Perón. “But Peronism is not arrogance and pride, Peronism is social justice, the fight for equal opportunities and zero poverty in Argentina. That is the Peronism that I champion.”

On 14 October, Macri also joined a protest march held in Buenos Aires by three of the country’s leading agricultural organisations. Addressing the marchers, Macri declared, “in December [when he hopes to take over as president] we are going to fix clear rules of the game [...] We are going to have zero export taxes for regional economies, zero limitations on exports.”

### Massa highlights insecurity

Massa, who appears to be gaining on Macri in recent polls, gave a speech promising to introduce “a unifying programme of all the security forces in urban centres” and “to decree at a national level and in the province of Buenos Aires a security emergency.” With opinion polls showing that insecurity remains one of the most serious concerns of Argentines, despite continued strong support for the government, Massa’s tactic appears sound. Massa has also started focusing his attacks on Scioli, rather than Macri, criticising Scioli’s term as governor of Buenos Aires province and insisting that schools and hospitals in the region had deteriorated under his rule. Once again, he highlighted Scioli’s absence from the presidential debate on 4 October.

## Economy down, Bachelet up?

The Chilean government presented its draft 2016 budget to congress last week, and it was not a good news story: amid global economic weakness and depressed copper prices, the finance minister, Rodrigo Valdés, said government spending will have to expand more slowly next year; the official forecast for GDP growth in 2016 has also been cut once more (down to 2.75%). Yet at the same time there are signs that President Michelle Bachelet's long fall in the opinion polls, if not reversing, may at least be bottoming out.

It is too early to make any definitive claims on the subject but last week there was at least a hint that President Bachelet's policy of 'new realism' might be getting some traction in the opinion polls. A poll by Adimark covering voter perceptions in September for the first time suggested that Bachelet's long fall in the polls may be ending.

Adimark has tracked Bachelet's approval and disapproval ratings on a monthly basis since she took office. She started out strongly with a 54% approval rating and a 20% disapproval rating in March 2014, but by September/October of that year both indicators were level-pegging; thereafter her disapproval rate exceeded the approval rate by an increasingly wide margin, apparently peaking this August (72% disapproval against 24% approval). Various factors have driven this relentless deterioration, but the most important has been the Caval corruption scandal (involving her son Sebastián Dávalos and daughter-in-law) coupled with a second scandal over political campaign funding, and an ongoing degree of resistance to her tax and education reforms.

Something changed in September. Bachelet's disapproval rate dropped two percentage points (down to 70%) while her approval rate edged up one point (to 25%). Adimark pointed out that both of these were within its margin of error (+/- 3%) and strictly speaking were therefore not statistically significant. But the change of direction was nevertheless suggestive.

The agency also noted that September was an unusual month, marked by an earthquake and tsunami on 16 September which left a toll of 11 dead, independence day celebrations on 18 September, and a decision by the International Court of Justice (ICJ) on 24 September to continue hearings on the territorial dispute between Chile and Bolivia (which could be interpreted as a setback for Chile's position [WR-15-39]).

The implication is, however, that public opinion was impressed by the response to the earthquake. The government's approval rating rose by three points during the month (which is regarded as statistically significant), and those surveyed by Adimark scored it particularly well on its "capacity to deal with crisis situations". The fine detail of the survey also revealed Bachelet's approval grew mostly among low socio-economic groups, among men, and among "those who identify with the Right".

### Budget

How the budget will play into this is not year clear, but it is evident that Bachelet is playing to the middle ground. Finance Minister Valdés presented a cautious budget, with government spending set to grow by 4.4% in 2016, the lowest rate in over 10 years and less than half this year's 9.8%. Factored in are conservative assumptions about international copper prices, and a slower reduction in the fiscal deficit.

### Electoral system

President Bachelet said that the ruling Nueva Mayoría coalition had made "changes of historic magnitude" during the first 18 months of her second term in power, creating a proportional and inclusive electoral system to replace the binominal system inherited from General Augusto Pinochet. She said the coalition would work with "more energy and discipline" to complete the education reform, "the great task of our government".

**Economy**  
President Bachelet was candid about the economic challenges her government faces. “We must confront a complex international economic scenario. We are fully aware of this and we are acting accordingly by presenting a prudent and responsible budget that will allow us to keep progressing and guarantee rights and social spending”. Bachelet also said that “we will shortly begin the process of redrafting the constitution”.

In a speech to mark the anniversary of the “no” vote in the 1988 referendum that paved the way to the restoration of democracy in Chile, Bachelet made a point of being modest. “We have made mistakes and we have recognised them,” she said, “we regret not doing things better”. Bachelet described the budget as “prudent and responsible”.

Bachelet has also instructed her cabinet ministers to travel around the country to “explain the budget on the ground”. Their narrative appears to be that against a background of austerity the government is doing what it can to prioritise spending on health, law enforcement, housing and education.

Some normally critical journalists of the centre-right have acknowledged what they see as a decision by Bachelet not to play the populist card and to opt instead for what they describe as “quasi-austerity”. While any significant further deterioration in the economy will be a negative, the government is clearly hoping that it can improve its image by careful management of the current slowdown, and by counting on external factors to help lead gradual economic recovery in 2016 and 2017.

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## TRACKING TRENDS

**ARGENTINA | Dealing with holdouts.** The debate over Argentina’s attitude towards the so-called ‘hold outs’, those investors who refused to accept a haircut on their Argentine bonds after debt restructuring, has resurfaced over recent days. Mauricio Macri, the presidential candidate for the centre-right Cambiemos coalition, said the administration of President Cristina Fernández was leaving a “bomb to explode” in the next government by failing to deal with the issue. Both Daniel Scioli, Fernández’s chosen successor, and Macri have indicated they would hold talks to end the dispute which has kept Argentina shut out of international capital markets.

**PARAGUAY | Cement shortage.** The president of Paraguay’s state-owned cement firm (INC), Jorge Méndez, admitted this week that there is a severe shortage of cement provision in the local market and that this is producing a “crisis” in the domestic construction sector.

Since the final weeks of September Paraguay’s construction chamber (Capaco) has complained that many of its members have been encountering problems in securing cement after the INC announced that it had been forced to reduce its cement production due to some problems with its main cement kiln. The INC was forced to reduce its cement shipments from 55,000 bags a day to 35,000 bags a day. This has led to cement prices increasing in the domestic market by as much as 70%, with construction firms complaining that cement distributors are taking full advantage of INC’s production issues and the fact that a stronger US dollar means that cement imports are currently relatively more expensive.

All of this caught the attention of President Horacio Cartes, who is keen on ensuring that the current construction sector boom fuelled by the slew of public infrastructure projects promoted by his government continues and is not undermined by the cement shortage. President Cartes summoned Méndez to a meeting at the Mburuvicha Róga presidential residence to analyse the situation.

After the meeting, Méndez said that although the INC has now solved its production problems and is once again supplying up to 55,000 bags a day to the domestic market, this is insufficient to satisfy a higher demand that currently stands at 110,000-120,000 bags a day. Méndez added that “the President has asked us to supply cement to the country and to analyse alternatives to complement INC’s maximum production”. Asked by reporters what this might entail, Méndez responded “that is what we will evaluate”. But Méndez did say that the INC’s plan to acquire a new pozzolan dryer and a new cement mill would allow it to produce an additional 55,000 bags per day by 2018, providing a foreseeable solution in the medium term.

**Debates shed little light ahead of run-off****Monzón hands himself in**

On 4 October Juan Carlos Monzón, the former private secretary of former Vice-President Roxana Baldetti (2012-2015), handed himself in to the authorities. Identified as one of the alleged leaders of the corruption ring known as 'La Línea' along with former president Otto Pérez Molina (2012-2015) and Baldetti, Monzón – who has since been placed in custody – had been on the run since May, when the scandal first broke. According to the UN-backed international commission against impunity in Guatemala (Cicig) which together with the attorney general's office uncovered the scandal, a further 28 people have been arrested in relation to the investigation.

Two debates have taken place over the last week between the 25 October presidential run-off contenders, former First Lady Sandra Torres (2008-2012) of the centre-left Unidad Nacional de la Esperanza (UNE), and the surprise first round victor Jimmy Morales, of the small conservative Frente de Convergencia Nacional (FCN-Nación). Both debates once again highlight what has been a common complaint of the electoral process (otherwise dominated by the corruption scandals which ultimately forced President Otto Pérez Molina to resign last month [WR-15-36]) – the lack of substance of policy proposals offered.

The first debate took place on 5 October, hosted by the British Embassy in Guatemala and the national daily *Prensa Libre*, and was broadcast live by TV cable channel Guatevisión. The second, on 14 October, was organised by the association of business leaders (Asociación de Gerentes de Guatemala). Civil society organisations and think tanks like Mirador Electoral and the Central America institute for fiscal studies (Icefi) have been quick to criticise the lack of substance of the political manifestos on offer to the electorate ahead of the 6 September general elections [WR-15-37] and neither debate did much to assuage these concerns.

In the second debate, Torres – whose manifesto was one of the few considered “structured” by Mirador Electoral in an August report – was quick to target Morales’ lack of political experience. A well-known political figure herself, Torres has previously held public office – as head of the government poverty reduction programmes launched by the UNE administration led by her former husband Alvaro Colom (2008-2012), such as the conditional cash transfer (CCT) scheme ‘Mi Familia Progresá’ (Mifapro).

Torres accused Morales – a well-known local TV actor and comedian who spun himself as the “anti-establishment candidate” – of improvisation. She pointed out that the FCN-Nación candidate, whose seven-page manifesto Icefi described in an August report as “dangerously close to a demagogic electoral offer without any technical substance” – had not even produced his own plan of governance. Torres said that Morales had merely adopted ‘K’atun 2032’ – the 20-year sustainable development plan which was launched by Pérez Molina in August 2014 [WR-14-32], as his own (one ‘k’atun’ represents 20 years of the Mayan calendar).

Government officials have also questioned Morales’s proposed objectives. In the first debate, for example, Morales addressed another priority – reducing the country’s chronic undernutrition rates which the most recent (2015) *State of Food Insecurity in the World* report by the United Nations (UN) Food and Agriculture Organisation (FAO) put at 15.6% of Guatemala’s population (of 15.5m) between 2014 and 2016. Up from 14.8% between 2010 and 2012, this is the second worst rate in Central America after Nicaragua (16.6% between 2014 and 2016).

Morales said that he proposed reducing the rate of undernutrition by 3% every year of his four-year presidential term should he win, again without providing any details. However the head of the food security secretariat (Sesan), Germán González, told reporters that this objective was “ambitious” and unlikely to be achieved.



## Corruption

Jimmy Morales reiterated his commitment to clamping down on corruption, demanding clearer legal rules for investors; open bidding processes for the award of government contracts; and more transparency for government social programs. Sandra Torres, meanwhile, is proposing reforming the electoral law and law on political parties (LEPP) and to create new institutions like a presidential transparency & anti-corruption secretariat and institute for public access to information.

## Mining

Another hot topic mentioned in the two debates was the need to increase royalties on metals mining (currently at 1%) although this will meet considerable resistance. Morales, who described it as “unjust”, called for an “economic study” while the local media cited Torres as calling for it to be raised to between 4% and 6%.

Last year the 158-member unicameral legislature approved the State budget which increased the royalty tax on metals mining to 10% (along with introducing new taxes on the telecoms and construction sectors [WR-14-49]). However, on 17 September, the constitutional court (CC) rejected these three new taxes (which were vehemently opposed by local influential private sector) as unconstitutional – again illustrating the notorious difficulty of seeking to boost the tax take, leaving the country with one of the lowest in the region (under 12% of GDP).

The issue of corruption – which has dominated the electoral campaigning period in the wake of the scandals – inevitably surfaced in the presidential debates, particularly in the second which saw the two candidates engage in some mudslinging. Torres pointed out that Morales (whose FCN-Nación was set up in 2004 by members of the military veterans’ association Avemilgua), had received public backing from the imprisoned former army official, Byron Lima Oliva who last year was charged with running a multi-million dollar criminal network from prison. She also went on to accuse Morales of receiving funds from other former military officials linked to the ‘La Línea’ corruption ring uncovered in the national tax authority (SAT) which forced Pérez Molina and his vice-president Roxana Baldetti to resign (*see sidebar*).

Morales in turn pointed out links between the UNE vice-presidential candidate, Mario Leal Castillo, a prominent businessman, and Pérez Molina. He noted that Leal had served as Pérez Molina’s former private secretary (2012-2015) and was a former financier of the ruling Partido Patriota (PP) in its 2011 electoral campaign. It is also worth noting that one of Leal’s assistants, Juan José Luarca Dávila, was arrested in July for alleged corruption.

With no reliable polls yet released ahead of the 25 October run-off, the local press has been quick to point to the relative strength of the UNE as a political party compared with that of the FCN. In its most recent (October 2015) report on the 6 September general elections, Mirador Electoral points out that as well as its small presence in the new legislature, the FCN failed to win a single mayoralty. Indeed, the final results give the main opposition Libertad Democrática Renovada (Líder) 125 of the 327 municipalities (with a further 11 municipal contests to be restaged on 25 October due to voting irregularities); the PP, 79; and the UNE, 62.

Congressional make up		
Party	Seats won on 6 September	Seats won in 2012
Líder	45	15
UNE	32	35
Todos	18	3
PP	17	49
FCN-Nación	13	-
Encuentro por Guatemala	6	3
Others	27	53
<b>Total</b>	<b>158</b>	<b>158</b>

**Rocked by Grupo Continental designation****A big operation**

The Ofac action was coordinated by the US Drug Enforcement Administration (DEA), Homeland Security Investigations, Customs and Border Protection's National Targeting Center, along with the US Attorney Offices for the Southern District of New York and the Southern District of Florida. Yankel Rosenthal's case has now been transferred from Miami to New York, where the office of US Attorney Preet Bharara announced the criminal charges, saying that the alleged scheme ran from 2004 until last month. The whereabouts of Jaime and Yani Rosenthal, and company lawyer Andrés Acosta García, are unknown.

In an unprecedented move, the US Department of the Treasury's Office of Foreign Assets Control (Ofac) on 7 October announced the designation of three Honduran businessmen and seven businesses as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act for playing "a significant role in international narcotics trafficking".

The action affects one of the wealthiest and most politically connected Honduran families, the Rosenthals, creating shockwaves throughout the region. The three affected are Yankel Rosenthal, who was arrested in Miami on 6 October, Jaime Rosenthal, Yankel's uncle and the scion of the Rosenthal dynasty; Yani Rosenthal, Jaime's son; and Andrés Acosta García, a lawyer for the family business, Grupo Continental. Yankel, who until June was an investment minister in the government led by President Juan Orlando Hernández, is also president of the Deportivo Marathón football club, based in San Pedro Sula.

"This action targets the three Rosenthal family members and their properties for their money laundering and drug trafficking activities," stated Adam J. Szubin, Acting Under Secretary for Terrorism and Financial Intelligence. "This step underscores that the U.S. government is fully committed to protecting the U.S. financial system from criminals like the Rosenthals...[and] working with the Honduran authorities to take the necessary steps to protect the Honduran financial system from abuse by drug traffickers and other illicit actors, in order to further safeguard Honduran financial institutions," Szubin added.

The Panama-registered Grupo Continental, the holding group for the Rosenthal family's various businesses (*see box below*), immediately responded with a statement denying the charges against it. It stands accused of operating one of the region's biggest money laundering networks for the proceeds of drug trafficking and foreign bribery. The designation affects group businesses including Banco Continental, allowing the freezing of assets under US control. Several offshore companies in the British Virgin Islands were also cited.

**The Rosenthal dynasty**

Jaime Rosenthal, a graduate of the Massachusetts Institute of Technology (MIT), is thought to be the richest man in Honduras, and is emblematic of the linkages between politics, business and the media in the region. Rosenthal is a prominent member of the opposition Partido Liberal (PL), and has run for president on four occasions. He was a vice-president under President José Azcona Hoya (1986-1990), but resigned over political differences. He has also been a congressional deputy (2002-2006). Rosenthal played a strong role in Manuel Zelaya's 2005 presidential campaign and his son, Yani, was subsequently Zelaya's minister of the presidency (2006-2007). Yani at one stage was rumoured to have presidential ambitions of his own, encouraged by his father. Under Zelaya, Rosenthal's lawyer (Rasel Tomé, later accused of corruption) was for a time the head of the telecommunications regulator (Conatel) and his brother-in-law, Roberto Hidalgo Ochoa, was the internal auditor at the national port authority company (Empresa Nacional Portuaria [ENP]). Witnesses in a subsequent ENP corruption case implicated Hidalgo.

Rosenthal, along with his brother Edwin, created Grupo Continental, which has interests in almost every economic sector in Honduras. These include banking and insurance (Banco Continental, Banco de Occidente), the media (*El Tiempo*, *Canal 11*, *Cablecolor*), cement, food packing, bananas, coffee, cocoa, cattle rearing, commercial and residential property.

**Nerves in Honduras**

President Hernández has taken twice to national TV and radio to calm nerves after the Honduran banking and securities commission (CNBS)

## Homicides down again

In the first eight months of the year there were 3,436 homicides in Honduras, according to security ministry data released on 26 September, almost 15% fewer than in the same period of 2014. President Hernández predicted that by the end of the year the rate per 100,000 inhabitants would be “lower than 60”, a considerable fall from the estimated 77.8 of 2014, and a substantial fall from the peak of 90.4 registered in 2012.

ordered the compulsory liquidation of Banco Continental. The bank was banned from trading as of 12 October. Under the Ofac designation, the bank’s assets in the US were frozen, taking its capital adequacy ratio from 11.6% to 5.2%, below that permitted by local legislation (6%). Hernandez also noted that the CNBS was obliged to intervene in the bank under international anti-money laundering treaties to which Honduras is party. “These are multinational crimes”, he noted, adding that they “must be addressed via coordinated action at the multinational level”.

The CNBS has offered the bank’s 220,000 customers immediate deposit guarantees of up to HL204,000 (US\$9,400) per fixed deposit account, with the funds being funnelled for an orderly release through four Honduran banks; any outstanding amount above that will be disbursed thereafter. The regulator stressed that it would also ensure that the bank employees would receive outstanding salaries. Emphatic that the wider local banking sector remained “solid”, the CNBS urged the public to maintain “full confidence in the national financial sector”.

Meanwhile, the public ministry has announced that it will evaluate the other local companies linked to Grupo Continental in a bid to offer assistance, so far as is reasonable, in support of their continued operation. These companies employ an estimated 11,000 people (with another 25,000 indirect employees), so the ripple effects through the economy could be severe. In a Banco Continental statement signed by Jaime Rosenthal earlier this week, Rosenthal claimed that Grupo Continental’s operations were worth a full 5% of Honduran GDP, warning of the negative impact for the economy of the bank’s forced liquidation (it initially sought a voluntary liquidation agreement).

President Hernández said that while the results of the US justice process were not yet to be known, what is known “are the tragic consequences of drug trafficking and organised crime in Honduras in terms of violence, insecurity, pain and death; probably 30,000 deaths from 2004 to date, that is the crude reality...behind every one of those figures there is a history of Honduran lives no longer with us”.

Notably, the Ofac action came just a week after the Organization of American States (OAS) announced a new Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH). After the Ofac made its announcement, the US ambassador to Honduras, James Nealon, tweeted that the action “makes clear that impunity will not stand”. However, given the Rosenthal family’s deep links with the Honduran ruling class, the civic movement demanding the installation of an international judicial commission against impunity in Honduras may find additional reason to redouble their efforts. This movement, known as ‘Los Indignados’, rejects the MACCIH on the grounds that it has no investigatory or prosecutorial powers, and as such is effectively toothless, with a mandate to act as a reform adviser only to the discredited local judiciary.

### Another plus for Hernández

President Hernández has overseen what appears to be a successful security crack-down since taking office in late January 2014, with the country’s world record homicide rate falling steadily in the past few years.

This, in turn, has allowed the economy to recover, pulled up by the rebound in the country’s longstanding economic partner, the US. His administration has not been without criticism, with the president accused of the same authoritarian streak that he displayed as head of congress under the previous government led by Porfirio Lobo (2009-2014), in which Hernández was effectively number two.

Now that the supreme court has overturned, controversially, the constitutional ban on presidential re-election, Hernández looks set to run again in 2017, and the way things are going, he may not have much competition. Certainly, the Rosenthals close links both to the PL and to Manuel Zelaya will create some nervousness in opposition circles about what else might emerge from the US judicial process.

## POSTSCRIPT

### Quotes of the week

“The only thing I would say to the Venezuelan president is don't buy any swimming trunks yet.”

*Chile's foreign minister Heraldo Muñoz responds to comments by Venezuela's President Nicolás Maduro paraphrasing the dream of his late predecessor Hugo Chávez (1999-2013) of "bathing on a Bolivian beach".*

“It is the worst [five-year] budget of the three sent by the Frente Amplio. It is unreal, untruthful, inconsistent, unsustainable and irresponsible.”

*Uruguayan deputy Pablo Abdala of the opposition Partido Nacional.*

“Transparency and democracy go hand in hand, they form an indissoluble partnership, they complement and strengthen each other.”

*Mexico's President Enrique Peña Nieto.*

### Ecuador's political leviathans meet

Ecuador's President Rafael Correa met the opposition mayor of Guayaquil, Jaime Nebot, for the first time in eight years on 8 October during celebrations to mark the 195<sup>th</sup> anniversary of the independence of the city which is now the country's business and commercial hub. During those eight years the two longest-serving and most powerful elected figures in Ecuador have exchanged diatribes through the press over their political differences and seem to have gone out of their way to avoid bumping into each other at public events. Why was Correa prepared to meet now?

President Correa and Mayor Nebot met during the inauguration of the new comptroller general's office in Guayaquil, at a ceremony attended by the comptroller general, Carlos Pólit and other cabinet ministers. “One has to be civil,” Nebot told the press after shaking hands with Correa. For his part, Correa said that it was “worth stressing that these things are ideological and not personal”.

The timing of Correa's decision to attend a public meeting with Nebot and extend his hand is eye-catching. He might have felt that if Cuba's President Raúl Castro could shake hands with his US counterpart Barack Obama and Colombia's President Juan Manuel Santos could shake hands with ‘Timochenko’ (Rodrigo Londoño Echeverri), the leader of the Fuerzas Armadas Revolucionarias de Colombia (Farc) in the interests of ending a half-century old conflict then he ought to be able to shake hands with Ecuador's most prominent opposition politician. But domestic political and economic circumstances will also have influenced Correa.

Correa had no time for Nebot when he was riding high in the opinion polls and the economy was firing on all cylinders. While Correa remains popular now, his approval rating of some 45% is well down on his heyday of upwards of 70%; he seemed to be caught out by the strength of opposition to his proposed inheritance tax reform last June, prompting him to withdraw the related bill and launch three months of ‘national dialogue’; and the economy is shuddering to a halt in the wake of a sharp decline in oil prices. All of this could explain his openness to conciliation.

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