

# latin american weekly report

18 February 2016, WR-16-07

ISSN 0143-5280

## CONTENTS

<b>LEADER</b>	<b>1</b>
No holds barred: Pope wrestles with biggest challenges on Mexico visit	
<b>ANDEAN COUNTRIES</b>	
<b>VENEZUELA</b>	<b>3</b>
Maduro bites the bullet	
<b>PERU</b>	<b>5</b>
Reading the runes amid electoral uncertainty	
<b>COLOMBIA</b>	<b>6</b>
ELN goes on the attack as peace talks founder	
<b>BOLIVIA</b>	<b>8</b>
Scandal shakes up re-election referendum campaign	
<b>BRAZIL &amp; SOUTHERN CONE</b>	
<b>ARGENTINA</b>	<b>9</b>
Macri's difficult dealings with the unions	
<b>ARGENTINA</b>	<b>10</b>
Macri keeps winning over Peronists	
<b>BRAZIL</b>	<b>11</b>
Rousseff plays stateswoman as impeachment threat recedes	
TRACKING TRENDS	
<b>CENTRAL AMERICA &amp; CARIBBEAN</b>	
<b>HAITI</b>	<b>13</b>
Interim president steps into the breach	
<b>JAMAICA</b>	<b>14</b>
Electoral campaign turns ugly	
<b>POSTSCRIPT</b>	<b>16</b>
Homicide rate down by over a quarter in Honduras	
Quotes of the week	

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

*Latin American Newsletters since 1967*

## No holds barred: Pope wrestles with biggest challenges on Mexico visit

Pope Francis conducted a six-day tour of Mexico from 12 to 17 February, with an itinerary specifically designed to focus on the most persistent and pernicious problems facing the country: drug-trafficking and violence; poverty and marginalisation; and power and corruption. He did not mince his words, subtly censuring the political class and the church hierarchy. But the most enduring legacy of the pope's visit will be the solidarity he showed with the most downtrodden – indigenous people and the poor, many facing the perilous prospect of migrating northwards to find opportunities. In this sense the pope's visit was an indictment of President Enrique Peña Nieto, whose main failing during three years of government has been his lack of the common touch.

President Peña Nieto greeted Pope Francis in Mexico City on 12 February. The pope, eschewing the waiting red carpet, promptly squared up to the temptations of corruption confronting Mexico's political class during a speech at the national palace for the official welcoming ceremony: "each time we seek the path of privileges or benefits for a few, to the detriment of the good of all, society becomes a fertile soil for corruption, the drug trade, exclusion of different cultures, violence and also human trafficking, kidnapping and death."

This undiluted candour instantly set the tone for the rest of the pope's visit. He upbraided Mexico's Catholic hierarchy the following day during mass in Mexico City cathedral. He called on the country's bishops to change, abandon their comfortable surroundings and dealings with the wealthy and powerful ("today's Pharaohs") and go forth into the world, reaching out to the indigenous, the poor and the young to respond to their doubts and concerns.

The pope's next stop, on 14 February, was the municipality of Ecatepec de Morelos in the Estado de México where he performed mass to an estimated 300,000 people. Ecatepec (pop. 1.6m) is one of the most populous, poor and violent municipalities in Mexico, with a murder rate of 35.9 per 100,000, tripling the national average, and high levels of extortion. He then headed on to Mexico's impoverished southernmost state of Chiapas. He became the first pope to visit San Cristóbal de las Casas, the state's second largest city and an indigenous heartland, where he gave an impassioned speech, while delivering mass to 100,000 people, in defence of indigenous rights. This is an issue the Peña Nieto administration has promised to address for three years with no concrete progress to date.

The pope then headed to the western state of Michoacán, the recent object of federal intervention when violence between drug trafficking organisations and 'self-defence' groups, or vigilantes, attracted international attention. Although dozens of priests have been victims of drug-related violence, the pope called

## Control of Mexico's prisons

There are well-documented reports that Mexico's main drug trafficking organisations (DTOs) generate significant revenue from the prisons they control, through drug sales, extortion, and loan sharking among other activities. According to military intelligence sources, controlling 'Topo Chico' generated around US\$800,000 a month in revenues for the Los Zetas DTO.

for them to do more, arguing that gifts to the church from drug-traffickers should be shunned as "the ethical and anti-civic challenge drug-trafficking represents for Mexican society" should never be underestimated.

The pope concluded his tour on 17 February in the northern state of Chihuahua, where he performed an open air mass for 250,000 people in Ciudad Juárez, metres away from the US border, addressing inter alia the vexed issue of forced migration. He posed some pointed rhetorical questions for the authorities: "What does Mexico want to leave its children? Will it be a memory of exploitation, insufficient wages and workplace abuse?" He also visited a prison in Ciudad Juárez, once one of the most violent towns in Mexico, where he urged inmates to become "prophets", using their experiences through "hell" to help Mexico break its cycle of violence.

### Prison violence

The pope's prison visit was particularly striking because the day before he arrived in Mexico, the deficiencies of the country's prison system were painfully on display: bloody fighting between rival gangs at the 'Topo Chico' prison in Nuevo León state left 49 dead and many more injured. On 16 February a fight broke out at the Ciudad Victoria prison in Tamaulipas state, leaving eight injured. The prison system received terrible publicity after the tunnelling escape from the maximum-security 'Altiplano' jail in Estado de México in July 2015 by the drug kingpin, Joaquín 'El Chapo' Guzmán Loera, recently recaptured.

There is a lot wrong with the Mexican prison system, some of which the pope touched on. The problems do not exist in isolation but are part of the wider issues affecting the entire criminal justice system in the country. There is significant overcrowding: at the end of last year the system had the capacity to hold 208,905 prisoners, but was actually holding 247,488 – 18.5% more. With little segregation, prisons mix high and low risk prisoners, pre-trial and post-sentence inmates. This means that gang leaders can terrorise and control almost the entire prison population.

The prison system is severely understaffed with around one guard for every 16 prisoners (in the US there has been debate over whether the ratio there, of one guard for every six prisoners is dangerously low). Low pay for prison guards exposes them to bribery. There is a high level of corruption. The director of 'Topo Chico' has been dismissed and accused of complicity in the tragic events there, but no higher authorities are being held to account for allowing it to be run in this way.

A major difficulty is that prison reform is a long, slow and complex process that is not high up most Mexican politicians' lists of priorities. It tends to be ignored until things go wrong. It remains to be seen whether the recently-elected governor of Nuevo León, Jaime 'El Bronco' Rodríguez, an independent who may seek to run for the presidency in 2018, will take up the issue.

Change for the better is not impossible. The long-running reform of the criminal justice system launched in 2008 and due to conclude in June this year appears to be delivering some small improvements. The reform replaces the written and inquisitorial justice system with an oral and adversarial one. It is supposed to speed up and streamline the handling of cases. It appears to be responsible for a small (3%) reduction in the prison population last year, as courts have opted for greater use of non-prison sentences (things like mediation, financial retribution, and community work).

Whether standards of investigation and prosecution will improve as hoped remains more of an open question. And whether Mexico's political class is prepared to reform the dysfunctional prison system and increase spending to fix it in a year of important state elections is also not clear.

**Maduro bites the bullet**

**President Nicolás Maduro has bowed to the inevitable, and long overdue, fiscal adjustment. It is too little too late. The political costs will be high, but the economic impact negligible. Venezuela needs drastic measures, but Maduro, it appears, is unwilling – or unable – to take them.**

In a rambling four-hour televised address in which he continued to blame a right-wing 'economic war' for all of Venezuela's ills, President Maduro devalued the currency, raised petrol prices for the first time in 20 years, lifted the minimum wage, announced billions of dollars in new public works; and announced various measures to tackle tax evasion and reform the "rotten" state food sector.

The measures were as half-hearted as they were predictable. While fuel prices will go up for the first time in two decades, the impact on state coffers, and on the position of the state oil company Pdvsa, may be negligible, as the revenues will go into yet another new off-budget fund controlled directly (and unaccountably) by the executive – the Fondo Nacional de Misiones (the national missions fund). This, presumably, will be used to prop up social spending (albeit the more vociferous critics suggest it will be siphoned off, or used to keep key civil-military allies onside). Maduro said that 30% of the fund would be put towards the Misión Transporte which, according to its website, aims to "revolutionise public transport in Venezuela".

With immediate effect, the country's fixed exchange rate system has been simplified from three to two official rates. A new primary rate of BF10/US\$1 will be used for all essential imports, including food and medicine. A second, ostensibly market rate, will float, starting at BF203/US\$1. The country's third (and nominally illegal) parallel rate is now trading at about BF1,000/US\$1 however, according to websites that publish it, reflecting the acute dollar shortage in Venezuela.

Devaluation, the favourite adjustment tool of successive Venezuelan governments, eases official finances by giving Pdvsa more 'Bolívars Fuertes' (still known as such) for each dollar of oil export revenue. In the absence of official data, private sector economists put the fiscal deficit at upwards of 25% of GDP.

Meanwhile, as of 19 February, lower grade (and higher lead) 91-octane petrol will rise by 1,329% to BF1 per litre, from seven centavos currently. The more commonly used higher-grade and lower lead 95-octane will increase by over 60-fold (6,086%) to BF6/litre, from 9.7 centavos currently. That latter price is the equivalent of about 11 US cents a gallon (at the new floating exchange rate of BF203/US\$1), up from about 0.2 US cents a gallon.

Given the immense political cost of lifting fuel prices, the reaction of many was to suggest that Maduro could – and should – have gone a whole lot further while he was at it. After all, given the already-extraordinary levels of inflation in the country (the International Monetary Fund forecasts inflation of over 700% this year), a few centavos here or there is arguably not going to make that much difference to Venezuela's hard-bitten consumers.

As the economist and well-known blogger Miguel Otero (of *The Devil's Excrement*) put it, "Venezuela went today from having the cheapest gasoline in the world to having the cheapest gasoline in the world". He and other economists also made the point that the increase will be eaten away by inflation almost immediately anyway, as the currency devaluation sends prices soaring, and so fuel prices may need regular adjusting moving forward.

**Colombian fuel price disparity**

Petrol in Colombia retails for about US\$1 a litre, so the huge disparity between Venezuelan and Colombian prices remains and will continue to encourage the massive fuel smuggling trade between the two land neighbours, which on some accounts is controlled by sections of the Venezuelan military.

**“Now is the time”,  
says Capriles,  
confusingly**

Henrique Capriles, the moderate opposition leader, has declared that he intends to launch a signature drive for a presidential recall referendum. Capriles' move comes even as others in the opposition, including the national assembly president, Henry Ramos Allup, have instead mooted tentative support for a proposed constitutional amendment to bring forward the 2018 presidential election. Increasingly Capriles, a twice-former presidential candidate for the opposition Mesa de la Unidad Democrática (MUD), appears detached and a little isolated from his colleagues.

Maduro, however, said he expected the move to save the government US\$800m a year, and he claimed that this would cover production costs and alleviate Pdvsa finances. Yet at the same time, he was completely unclear as to how much of this estimated US\$800m would go towards the new Fondo Nacional de Misiones, and how much would go towards Pdvsa. Most observers are sceptical that Pdvsa will see much real benefit.

In a bid to mitigate the inflationary impact of the devaluation, Maduro lifted the minimum wage by 20% as of 1 March, to BF13,720 a month. Combined with an increase in the national food ticket to BF13,275, that gives an overall minimum wage of BF26,995. At the parallel exchange rate, that amounts to just US\$27 a month. And even at the new floating rate, it is still only US\$133. Moreover, the devaluation will likely oblige the government to raise the cost of staple foods sold in state supermarkets, including rice and bread.

**Food sector a priority – again**

“Faced with a criminal, chaotic inflation induced a long time ago, we must act with the power of the state to control and regulate markets,” Maduro declared, announcing plans to re-jig fixed prices and improve the state food supply sector. The government has tried for years now to perfect this system, naming it and re-naming it, hiring and firing ministers, to no avail. Just weeks ago, 40 people were detained following a corruption scandal at the very top of the state-owned food corporation Corporación Venezolana de Alimentos (Cval), and its distribution arm, Abastos Bicentenario. Maduro pledged “profound reform”, including of the two state supermarkets, Mercal and Pdval.

A new ‘Corporación Única de Servicios Alimentarios y Productivo’ will fuse Cval, the Corporación de Abastecimientos y Servicios Agrícolas (Casa) and Corporación Productora, Distribuidora y Mercados de Alimentos (Corpo PDMercal). The remit of this ‘mega corporation’, as Maduro described it, will be “to break the dispersion of productive efforts and imports”. Experience in Venezuela suggests little guarantee, however, that this giant state entity will be any more efficient than its various smaller predecessors.

Overall, while small steps towards repairing the government’s depleted fiscal coffers, these latest measures will exacerbate the current difficult situation on the ground in Venezuela. Memories remain potent of the fatal riots in the capital in 1989 following a gasoline price increase imposed as part of an IMF-advised fiscal adjustment program. The ‘Caracazo’, as the riots became known, prompted later coup attempts, famously including the one in 1992 led by Maduro’s predecessor and father of the Bolivarian Revolution, Hugo Chávez (1999-2013). “I assume full responsibility,” Maduro declared.

**Miguel Pérez Abad**

Miguel Pérez Abad was appointed vice president for the productive economy this week, tasked with overseeing the new economic reforms, which also include a crack-down on tax evasion, ‘Plan de Revolución Tributaria’. While the private sector has welcomed his promotion to the top economic policy post, replacing the controversial Marxist hardliner Luis Salas, who was removed after just 30 days, the fact that President Maduro is still insisting upon the need for state intervention and regulated prices strongly suggests that ideology – and not pragmatism – is still dictating inside the executive.

Pérez Abad, a businessman himself and head of a chamber representing small- and medium-sized companies, moves across from the ministry of industry and commerce, from where in recent weeks he has led tentative talks with the local private sector. He has previously recognised the need for reform, and had spoken of the need for unification of the country’s multiple fixed exchange rates, for example. Maduro’s announcements came two days after he was promoted.

**Presidential debate**

Julio Guzmán has shot to prominence so rapidly he must have been caught by surprise himself, and, as such he does not have a clear plan of governance, still less watertight policy proposals. But unlike his chief rivals he did attend last week's presidential debate during which he said that he believed in "the self-regulation of the media going hand-in-hand with a transparent state, an open government that gives access to public information". Verónica Mendoza made the valid point that critical issues like education had been "absent from the electoral debate". She said that "In my government, the priority will be public education, guaranteed for all with no type of discrimination". Another participant in the debate was Gregorio Santos, who answered questions by phone from prison in Lima, where he is under preventive detention for alleged corruption during his time as governor of the north-eastern region of Cajamarca.

**Reading the runes amid electoral uncertainty**

The main focus of Peru's presidential race with less than two months of the campaign to go is on whether candidates can run rather than whether they can win. This week it is the candidacy of Julio Guzmán, second in the opinion polls, which is up in the air after a ruling by the Jurado Nacional de Elecciones (JNE). The fate of the man he displaced in the polls, César Acuña, is still unclear due to allegations of plagiarising his doctoral thesis, and now cash handouts. If Guzmán and Acuña are both barred from running it would create serious electoral uncertainty. Guzmán has emerged as the first real threat to Keiko Fujimori in a likely run-off election in June, but there are others, well adrift at present, who could surge into contention as the anti-Fujimorista candidate if he is excluded from the race.

In a split 3-2 vote, on 16 February, the JNE ruled against an appeal by Guzmán's Todos por el Perú (TPP), arguing that the modification of the party's statutes during the pre-electoral registration stage was inadmissible. But the JNE left it in the hands of the Jurado Electoral Especial de Lima to decide (by early next week) on the legitimacy of Guzmán's candidacy for the presidency and TPP congressional lists. If this ruling is adverse Guzmán could make a final appeal to the JNE.

Guzmán slammed the JNE's ruling, insisting that if he ends up being disqualified on a technicality it would be unjust because "at least two other political parties" (an allusion to the Partido Popular Cristiano [PPC] alliance with the Partido Aprista Peruano [PAP]) are guilty of the same technical faults, proving that it is "one law for one and one law for another". Guzmán, who was deputy industry minister at the start of the government led by President Ollanta Humala, also said he would call "a national march in defence of democracy" in response so that supporters could protest on the streets in defence of their constitutional right to vote.

Guzmán argued that the JNE ruling "benefits Fujimorismo, a past regime that nobody wants...steeped in corruption". Guzmán's surge has been such that one survey by the national pollster Datum, which gave him less than 1% support last December, is now forecasting a dead heat with Keiko in a likely run-off. While Keiko has failed to advance in the polls, all the momentum has been with Guzmán, although the media is starting to flag up some inherent contradictions in some of his professed beliefs over religion and civil unions, for instance, and he might need to do a better job of elucidating his policy proposals if he is to sustain this stratospheric rise. Unlike all of the other frontrunners, however, Guzmán, did at least attend last week's presidential debate (*see sidebar*).

Datum put Guzmán on 17% behind Keiko on 35% (*see table below*) but in a second round the survey showed Keiko winning by just 42%-41% with 17% undecided. Third in the poll was Pedro Pablo Kuczynski of Peruanos por el Cambio (PPK) on 11%, with Acuña slipping back to 8% as the allegations against him start to have an impact. Another poll by CPI put Keiko on 34% with Guzmán second on 14%.

The polls differ slightly but they are broadly similar and show the same trends. They each show Guzmán amassing significant support in a very short space of time as well as a significant decline in support for PPK, and notable dips in support for former presidents Alan García (1985-1990 and 2006-2011) and Alejandro Toledo (2001-2006). Support for Keiko is almost identical (and indeed would look similar for months on end of previous polls too). Keiko has sought to remake herself, splitting with former allies and historic Fujimorismo,

## Acuña

César Acuña could be thrown out of the presidential race, the Oficina Nacional de Procesos Electorales (Onpe) announced this week, for reasons other than allegedly plagiarising his doctoral thesis. Onpe released a statement saying that it was investigating allegations that Acuña handed over cash during the campaign contravening a new electoral law expressly prohibiting money being handed over, promised or offered directly or indirectly by candidates. Acuña admitted having given cash to owners of market stalls in the Lima district of Chosica but stressed that the new law was only published last month while the campaign started last October. The local media reported at the weekend that Acuña handed over PEN\$10,000 (US\$2,800) in cash to market stall owners and PEN\$5,000 (US\$1,400) to a farmer in the north-eastern region of Piura.

and distancing herself from the corruption within the authoritarian government of her father Alberto Fujimori (1990-2000), but her stagnation in the polls suggests that she has failed to convince the majority of Peruvians of the sincerity of her intentions and that the anti-Fujimori vote remains strong.

If Guzmán is excluded the chief beneficiary is likely to be Alfredo Barnechea – a centrist who would attract the anti-Fujimori vote. A writer and journalist, Barnechea is running for Acción Popular (AP), founded by former president Fernando Belaúnde Terry (1963-1968 and 1980-1985), which he described this week as “a party without millions but without thieves”. Barnechea is one of the few candidates advancing in the polls in which he did not feature two months ago but came sixth on 3% in the Datum survey. Verónica Mendoza, of the leftist Frente Amplio (FA), who has also stayed steady (albeit on just 2%) while others have fallen away, should also benefit.

	Datum			CPI			Ipsos		
	Feb	Jan	Dec	Feb	Jan	Dec	Feb	Jan	Dec
Keiko Fujimori	35	35	35	34.1	32.1	33.1		33	33
Julio Guzmán	17	4	<1	14.1	5	<1		5	
PPK	11	14	14	7.7	13.1	17.6		13	16
César Acuña	8	10	12	12.6	15.2	12.1		13	13
Alan García	4	6	7	6.2	7.2	8.2		8	8
Alfredo Barnechea	3	<1	<1	2.1					
Verónica Mendoza	2	2	2	2.7	2.3	2.4		2	2
Daniel Urresti	2	3	<1	2.2	2.2	2.2		2	2
Alejandro Toledo	2	3	4	2.2	3.2	4.8		3	5

The next government might not inherit a bad economic scenario given the contractions or stuttering growth in much of the rest of the region. The national statistics institute (Inei) revealed this week that GDP grew by an impressive 6.39% in December year-on-year, driven by the mining and hydrocarbons sector, which expanded by 22.36%, its fastest monthly expansion since June 2002. This ensured that real annual GDP growth in 2015 amounted to 3.26%. Copper production expanded by 68% year-on-year in December; iron ore by 40.8%; molybdenum (22.8%); silver (19.1%); and lead (14.6%). One of the reasons mining output surged was because the Las Bambas mine came on-stream. The manufacturing sector contracted by 1.67% year-on-year in 2015, while construction expanded by just 0.08%.

## COLOMBIA | POLITICS & SECURITY

### ELN goes on the attack as peace talks founder

As fast as hopes grow for a peace deal with the Fuerzas Armadas Revolucionarias de Colombia (Farc), they are fading for a peace deal with Colombia's second guerrilla group, the Ejército de Liberación Nacional (ELN). Locked in an exploratory phase of talks with the government for over two years, the ELN, the more ideological of the two guerrilla groups, has been unable to agree on a structure for formal negotiations. This week it staged a three-day 'armed strike', which constitutes an enforced shutdown of economic activity and public transport in areas of ELN influence, to mark the 50th anniversary of the death of Camilo Torres, the guerrilla priest, on 15 February 1966. President Juan Manuel Santos warned the ELN on 12 February that it was seriously misguided if it thought that it could improve its negotiating position through a demonstration of force.

The security forces reported that they had foiled the vast majority of the attacks planned by the ELN in the 10 departments where its influence is greatest: Antioquia, Arauca, Boyacá, Bolívar, Casanare, Cesar, Chocó, Nariño,

## Another police scandal

In another scandal involving the police, President Santos issued a decree on 15 February forcing police brigadier general Luis Eduardo Martínez, commander of the Carabineros, into retirement. A senate commission had already suspended Martínez's promotion to major general. This after it received a document containing testimonies from high-profile former paramilitaries imprisoned in the US, such as 'Don Berna', who founded the Medellín crime syndicate Oficina de Envigado, Salvatore Mancuso and 'Macaco', as well as General Mauricio Santoyo, also in a US jail, a former colleague. They all alleged links between Martínez and paramilitary groups and drug-traffickers.

and Norte de Santander. But the ELN did successfully carry out about a dozen attacks, two of which were fatal. Two members of a police patrol were killed in the southern department of Nariño, while a police officer was killed in the north-eastern department of Norte de Santander in a drive-by shooting while lunching with a colleague. A bus was set ablaze in the north-western department of Chocó; an electricity pylon was blown up in the north-eastern department of Cesar, leaving three municipalities without power; and primary school children were nearly caught in crossfire between the army and ELN guerrillas in Antioquia.

President Santos said the attacks were "cowardly acts without justification", while the 'armed strike' "targeted the civilian population...violating international humanitarian law". He also gave the ELN an ultimatum to embrace talks or feel the full force of the military. The ELN accused the government on 31 January of failing to set a date for the next cycle of preliminary talks. The government has apparently grown frustrated by the conditions imposed by the ELN, and is also concerned about reports of an internal split within the guerrilla group over peace talks, which could render them redundant.

### Police scandal

While Santos was busy assuring the public that the security forces would respond to any threat posed by the ELN, the police force was rocked by scandal. The prosecutor general, Alejandro Ordóñez, announced three formal disciplinary investigations into the head of the national police, General Rodolfo Palomino this week. Ordóñez said Palomino was being investigated for possible illicit enrichment; alleged illegal shadowing, wire-tapping and intimidation of journalists; and the alleged creation of a gay prostitution ring, known as 'La comunidad del anillo' ('The fellowship of the ring'). Palomino faces 11 investigations before the supreme court of justice.

Some 300 cadets allegedly worked in the prostitution ring in Colombia's largest police training school in Bogotá, according to allegations that first surfaced in the media last December. Ordóñez said various members of congress were complicit with police officers in the prostitute ring, which was allegedly run by the former head of security at congress, (now retired) Colonel Jerson Jair Castellanos, including "a senator who is currently in a high position in the national government". Ordóñez was clearly referring to a video that surfaced this week featuring the then-senator now-deputy interior minister, Carlos Ferro, and a cadet, Ányelo Palacios, who secretly recorded it in November 2008 (although it is unclear why he took eight years to reveal it). Ferro openly discusses his sexual preferences with Palacios, who is now a captain, and mentions the cadet school on the video, which is one of the key pieces of evidence being used against Palomino.

Upon release of the video, Ferro promptly announced his resignation from the cabinet. Vociferously denying all the accusations against him Palomino initially said that he welcomed the investigations in order to clear his name, but on 17 February he announced his resignation. Flanked by police generals and his wife Eva, Palomino said he left convinced of his "absolute innocence". Palomino, who had held the position for two-and-a-half years, said that the accusations against him constituted "a campaign against the [police] institution" designed to "polarise the country" and "break up" the country's corps of generals (*see sidebar*).

Palomino is also being investigated for allegedly wiretapping journalists who were investigating the prostitution ring, membership of which, according to Palacios, was rewarded with rapid promotion and other benefits. Palomino was already in the firing line after three officials alleged that he sexually harassed a subordinate during an official ceremony in 1998.

## Scandal shakes up re-election referendum campaign

A new influence-trafficking scandal implicating President Evo Morales has cast further doubt on his chances of victory ahead of the 21 February referendum on whether to change the constitution to allow him to run for a third consecutive presidential term in 2019 (under the 2009 constitution). With Vice President Alvaro García Linera admitting last month that official corruption – most notably that uncovered a year ago in the government indigenous development fund (Fondioc) [WR-15-12] – had damaged the Movimiento al Socialismo (MAS)'s campaign, the latest scandal has already had a tangible impact on pre-electoral surveys, raising major doubts over a victory for the 'yes' vote.

The scandal broke on 3 February when a local journalist, Carlos Valverde, revealed on a local TV channel *Activa TV*, that Gabriela Zapata Montaña, a manager at the local branch of Chinese firm CAMC, had had a relationship with President Morales that began in 2005 but ended two years later after the two had a child that subsequently died. Valverde's claims regarding the relationship, which were quickly picked up by the local media and which the MAS government has confirmed, led the political opposition to both accuse Morales of using his position to get Zapata the job and more generally of influence trafficking regarding the awarding of state contracts to CAMC. On 10 February the opposition party, Unidad Demócrata (UD), of local cement magnate Samuel Doria Medina, claimed that of the seven contracts awarded to CAMC by the MAS government, six – worth US\$470m – were via direct invitation.

With CAMC itself having announced legal action against Valverde and called for an investigation into his claims, the MAS government is also seeking to clear Morales' name. On 7 February Public Works Minister Milton Claros revealed that the previous month the government had cancelled a contract awarded to CAMC for the construction of a stretch of the Montero-Bulo Bulo railroad track after the company failed to deliver, citing this as evidence of impartiality, while three days later, Morales asked the comptroller general's office (CGE) and a special legislative commission to investigate the allegations. These efforts are ultimately unlikely to have much impact ahead of the vote, however, as García Linera himself has said that the investigation by the legislative commission is likely to take at least six months.

### Growing support for the 'no' vote

Since the scandal broke, several surveys have been released which point to an electoral defeat for Morales on 21 February – the third such defeat in a year following the 29 March 2015 municipal and regional elections [WR-15-13] and September 2015 referendums on autonomy statutes held in the departments of La Paz, Cochabamba, Chuquisaca, Potosí and Oruro [WR-15-39].

On 14 February, the local press published the findings of a flash survey by pollster Mercados y Muestras of 600 people in the eponymous departmental capitals of La Paz, Cochabamba and Santa Cruz, along with El Alto city in La Paz department which indicated a clear victory for the 'no' vote (although as ever it is worth highlighting that support for Morales is traditionally lower in urban areas). That poll put the 'no' vote at 47%, the 'yes' vote at 28% and undecideds/those declining to say at 25%. A survey by Mercados y Muestras of the same cities prior to the scandal had put support for the 'no' vote at 40%, with 33% inclined towards a 'yes' vote and 27% undecided/unwilling to say.

Another poll, by Equipos Mori, showed a tie between the 'yes' and 'no' votes at 40%, with 18% undecided/declined to say. The Equipos Mori poll interviewed 2,368 people in both rural and urban areas. A previous Equipos Mori poll, released on 17 January, had put the 'yes' vote at 41%, the 'no' vote at 37% and those undecided/declining to say at 19%.

### Six dead in El Alto fire

On 17 February six municipal employees died from asphyxiation after protesters set fire to part of a municipal building in El Alto city (whose mayor is Soledad Chapetón of the opposition centre-right Unidad Nacional, UN). The fire was started by protesters calling for better schools and more teachers. Interior Minister Carlos Romero confirmed that four people had been arrested while Bolivia's human rights ombudsman has called for a full investigation into the incident.

**Macri's difficult dealings with the unions****Moyano**

President Macri is making an effort to preserve good relations with Hugo Moyano, the leader of the dissident faction of the powerful Confederación General del Trabajo (CGT). According to press reports, to try and keep Moyano inside the Macri administration has backpedalled on a plan by the central bank to distribute all its bank circulars electronically. The reason is that the current system of hard-copy letters distributed by courier services generates significant employment for members of Moyano's transport workers' union.

The new Argentine government is at a tricky point in its opening game plan. Put crudely, step one was to begin tackling the country's economic imbalances by removing exchange rate controls and letting the peso float. That step went well. It was acknowledged, however, that peso depreciation would lead to a temporary surge in inflation, hence the importance of step two: negotiating with Argentina's traditionally powerful labour leaders to get them to accept wage restraint in the 'paritarias' – the annual wage negotiations. This one is looking more difficult.

The government faces a number of threats to its game plan and is doing a lot of different things – some more successful than others – to try and contain them. One problem is that it is flying blind. Because the national statistics institute (Indec) was subject to such severe political manipulation under the previous Kirchnerista administrations, there is no credible cost of living data.

To make matters worse there has been an embarrassing clash between two officials appointed by the government to resolve the problem. Apparently without consulting Jorge Todesca, her boss, Indec's technical director Graciela Bevacqua said it would take at least eight months before reliable inflation numbers could be published. With Interior Minister Rogelio Frigerio saying a new index was required within 60 days at the latest, an angry Todesca asked for, and got, Bevacqua's resignation. The incident has not helped the government's image. Bevacqua, sacked from Indec in 2008 by the previous government, has described her latest removal as also being the result of political pressure.

In the absence of reliable numbers, the available estimates suggest inflation has indeed surged in the last few months. The IPC Congreso, a recently reinstated inflation estimate compiled by the federal congress, shows the monthly rate rising from 2.2% in November, to 3.8% in December (when the new government took office and the peso was floated), and easing a little to 3.6% in January.

Officials suggest the worst is over, although they also recognise that further public utility tariff increases (part of reducing the large fiscal deficit) are likely to be a factor in March. Sergio Massa, the leader of the Frente Renovador (FR), a dissident faction of the opposition Partido Justicialista (PJ, Peronists), has indicated he will be holding the government to account over inflation. It was at the urging of Massa, who supported Macri in the second-round ballot, that the IPC Congreso has been reinstated.

Another second-round ally, leftist Margarita Stolbizer, has demanded an "action plan" to control prices. On an annual basis most estimates now suggest that inflation is running at around or over 30%. Finance Minister Alfonso Prat-Gay has said he wants to introduce an inflation-targeting system, gradually reducing the rate to 20-25% in 2016, and to 5% by 2019.

It followed that the government should be nudging the paritarias towards settlements of 25% or less. Initial discussions with seven key trade union leaders on 14 February attended by Macri and Labour Minister Jorge Triaca were cordial but somewhat inconclusive. The government side said that in return for its promise to raise the income tax threshold (which affects higher-earning workers) it was looking for wage restraint. Trade union leader Luis Barrionuevo suggested that the paritaria wage deals could be split into two six-month blocks, with lower wage increases coming into play in the second six months only if the government demonstrated progress in reducing inflation during the first six months.

## Electronic price monitoring system

In another move to placate the unions, reflecting what some see as a degree of continuity with the previous government's efforts to impose price controls on supermarkets, the Macri administration has created an electronic price monitoring system, known as the Sistema Electrónico de Publicidad de Precios Argentinos (Sepa). In keeping with this administration's more market-friendly posture there are however no controls as such, but retailers are required by law to report their prices via Sepa, which will allow consumers to compare them via a web page and seek out the best deals. There are heavy fines (up to US\$335,000) for failing to report prices to the system accurately.

An early crunch point seems to have come in negotiations with the teachers' unions, who were threatening the possibility of strike action as the annual school year begins in March. The government side very rapidly found itself offering a 28.7% salary increase (which was rejected). It seems a decision was then taken to avoid industrial action at such an early stage in the government's term in office, so an improved offer was made earlier this week, which was widely expected to be accepted. What this offer represents in percentage terms is disputed. The unions say the whole package, with an increase in February and a further rise in July, represents almost 40%.

Education Minister Esteban Bullrich says the deal is split between salaries and supplementary payments from provincial teacher incentive funds, and by his calculation is worth 25% to 33% depending on the province in which a teacher is employed. "We are not increasing teachers' salaries by 40%," Bullrich told the national daily *La Nación*. "What is happening is that the government is making a big effort to raise minimum salaries to benefit those who are not gaining from higher income tax thresholds." The danger of course is that other unions will shun 20-25% deals in the belief that a 40% precedent has been set.

## ARGENTINA | POLITICS & ECONOMY

### Macri keeps winning over Peronists

President Mauricio Macri has eliminated taxes on mining exports in another gesture to factions of the opposition Partido Justicialista (PJ, Peronists) open to talks with his government. Flanked by the PJ governors of the north-western provinces of San Juan and Catamarca, Sergio Uñac and Lucía Corpacci respectively, Macri announced that the 5% tax would end in a bid to boost production and investment in the mining sector. The photo op in San Juan mirrored another days earlier when a gift-bearing Macri was snapped alongside the PJ governors of the north-western provinces of Tucumán and Salta, Juan Manzur and Juan Manuel Urtubey. This all fits in with his strategy of dividing the PJ to win crucial support in the federal congress.

"For 10 years they [Kirchnerista administrations] plundered resources from San Juan for federal coffers, but it is San Juan natives who need them to keep developing," President Macri said while announcing the elimination of the mining tax. "We're going to work with governors to develop our projects, always ensuring that safeguarding the environment comes first of all," he added. Governor Uñac thanked Macri pointedly for having demonstrated that he understands that "we live in a federal country".

### Mining support

There is more than just giving a boost to mining production behind Macri's move. He knows that Miguel Angel Pichetto, the leader of the Frente para la Victoria (FPV) faction of the PJ, which has an absolute majority in the federal senate, has put the interests of Peronist governors above all ideological or party political considerations and would be prepared to work constructively with the federal government if he felt these interests were being served. The bulk of the FPV senators answer to Pichetto and are not hardline Kirchneristas. Their support is critical to Macri's prospects in the senate, which he convened on 11 February for an extraordinary session to try and win the requisite two-thirds majority support for two magistrates he controversially appointed by decree last December to fill vacancies on the five-strong supreme court [WR-15-50].

Macri is also indirectly courting the PJ federal deputy José Luis Gioja, who was governor of San Juan from 2003 to 2015. Gioja is being seen as one of very few potentially unifying figures within the disparate PJ ahead of party elections in May. Prior to making his mining gesture, Macri joined in the commemorations of the 199<sup>th</sup> anniversary of the battle of Chacabuco, fought

## Ally berates Macri

Rather than eliminating the mining export tax, the Coalición Cívica (CC) statement argued that the administration led by President Macri should be focusing on protecting water reserves; fulfilling the glacier protection law; and reducing the environmental impact of mining. "A country that looks after the present and thinks of the future prioritises the environmental agenda not the profits of a few...like the mining lobby," it said.

during the Chilean war of independence, on 12 February 1817. It was only Macri's medical advisers, perhaps mindful that he fractured a rib recently in innocuous circumstances playing with his daughter Antonia, that prevented him from taking part in an annual trek, first organised by Gioja 11 years ago, through hostile terrain at 4,500m. The trek, involving Argentines and Chileans, is a partial recreation of the crossing of the Andes by revolutionary forces led by José de San Martín to surprise Spanish royalist forces in Chile. Neither former presidents Néstor Kirchner (2003-2007) nor Cristina Fernández (2007-2015) ever attended the annual celebrations.

But Macri's gesture to the PJ moderates came at a cost within his own coalition, Cambiemos. Elisa Carrió, the leader of the coalition's junior partner, Coalición Cívica (CC), was fiercely critical of the decision to eliminate the mining tax. In a statement, the CC said the decision meant "handing over public resources to (mainly multinational) companies with windfall profits in recent years", while generating few jobs and having a big adverse impact on the environment (*see sidebar*).

## BRAZIL | POLITICS

### Rousseff plays stateswoman as impeachment threat recedes

Never let a crisis go to waste. President Dilma Rousseff, a micromanager at the best of times, is leading from the front in Brazil's battle against the *Aedes Aegypti* mosquito. On 13 February she visited the community of Zepelin, in the West Zone of Rio de Janeiro, as part of the day of action against the mosquito. Sidelineing her inept health minister, Marcelo Castro, she has led the reassurances to the international community that the Olympic Games will proceed as planned. Now, a number of events in the federal congress have ensured that the impeachment threat against her is receding, while the pressure is mounting on her nemesis, Eduardo Cunha.

So far, the federal government has largely escaped blame for the widespread proliferation of mosquitoes over the last decade and the attendant outbreaks of dengue, chikungunya and now, Zika. That may change, as the decades-long neglect of Brazil's sanitation infrastructure comes under greater scrutiny, as well as the underfunding of its public health service, but for now even the consistently hostile media has yet to accuse the ruling left-wing Partido dos Trabalhadores (PT) of responsibility for the apparent surge in microcephaly. As such President Rousseff has taken the opportunity to change the dominant narrative of economic depression and corruption by putting herself at the head of a nation battling an insect.

Other than the *Aedes Aegypti* another longstanding irritant of Rousseff is the speaker of the federal lower house of congress, Eduardo Cunha, from the government-allied Partido do Movimento Democrático Brasileiro (PMDB). Cunha initiated the impeachment proceedings against Rousseff in December. But over the congressional summer recess the chances of its success diminished considerably. With the return of congress after Carnival, the chances slipped yet further.

First, the attorney-general, Rodrigo Janot, has now officially notified Cunha of his request to the supreme court to see him removed from office while the corruption investigation against him continues. Cunha is accused of receiving up to US\$5m from the kickback scheme at the state energy company Petrobras. Secondly, Cunha's candidate for the presidency of the PMDB in the lower chamber, Hugo Motta, lost the election to Leonardo Picciani, who has made clear his opposition to the impeachment process. Picciani will now get to decide which eight members of the PMDB will sit on the special commission which will determine whether impeachment proceedings against Rousseff go ahead.

## Petrobras

The Berlin-based NGO Transparency International (TI) has voted the Petrobras scandal as the second-worst corruption case in the world, behind only the widescale theft carried out by the former Ukrainian president Viktor Yanukovich. The state oil company won 11,900 votes, in comparison with the Ukrainian's 13,210. Recently, TI ranked Brazil 76<sup>th</sup> out of 168 countries in its annual corruption perception index, a fall of seven places on its previous survey.

While the success of the impeachment proceedings looks ever less likely, Cunha himself may well survive. His lawyers have already filed a request with the supreme court to demand more time to mount a defence against Janot's claim. One of Cunha's allies has succeeded in effectively nullifying the work of the ethics council, which had been examining whether the speaker lied to congress over his possession of secret Swiss bank accounts. On top of this, Cunha has managed to orchestrate a replacement on the ethics committee which could mean that any future vote on his mandate may be more likely to go his way.

## Lula feels the heat

Supporters and opponents of former president Lula da Silva (2003-2011) clashed in São Paulo on 17 February outside the court room where the former leader was due to give testimony in response to allegations that he received benefits-in-kind, specifically property, from OAS, one of the construction companies charged over the Petrobras scandal. In fact, Lula's deposition was postponed after one of the prosecutors was accused of misconduct by leaking details of the charges to the right-wing, and virulently anti-PT, news magazine *Veja*.

Still, Lula's deposition will take place at some point over the next few weeks, and then, on 14 March, he is due to testify as part of 'Operation Car Wash'. His many enemies will be desperately hoping for a misstep or a smoking gun which would render his chances of running for the presidency again in 2018 null and void. But so far, in more than a decade of searching, none of his opponents has found compelling evidence of personal corruption.

---

## TRACKING TRENDS

**ARGENTINA | New trade and investment agency launches.** The government unveiled its new investment promotion and foreign trade agency on 11 February. The agency will be run jointly by the production and foreign affairs ministries and will be responsible for "inserting Argentina into the centre of Latin American investments, and to develop new markets for Argentine products". Juan Procaccini, who will run the agency, said it would help to reduce the risk perception and transaction costs for investors, increasing Argentina's competitiveness. A government statement bemoaned the fact that Latin America receives 13% of global investment, approximately US\$159bn, but Argentina only received 4% of this figure last year. The Macri administration is intent on completely changing Argentina's image when it comes to trade and investment.

**BRAZIL | S&P downgrades again.** Brazil's debt rating was cut further into junk territory by the rating agency Standard & Poor's on 17 February. The new level, two steps below investment grade, puts Brazil on a par with Bolivia, Paraguay and Guatemala. The state energy company Petrobras had its rating cut two notches to B+, four levels below investment grade.

**CHILE | Exporting electricity.** Chile exported electricity to Argentina on 12 February for the first time since 2009, from the Los Andes substation in Chile's northern region of Antofagasta to Argentina's north-western province of Salta. Chile's energy minister, Máximo Pacheco, said that the electricity exports, of around 200MW a day, from solar energy produced by Gas Atacama, owned by the Chilean power company Endesa, were "excellent news for our country's economy". The power line, which extends for 600km, has been disused since 2009 when energy exchanges with Argentina were suspended.

Chile will also start exporting 5.5m cubic metres of natural gas every day to Argentina, from May to September this year.

**Interim president steps into the breach**

“I think a lot of these recipes for transition governments don't really necessarily follow the strictures of the Haitian constitution, and I think as a partner of Haiti our belief is that in our work that we try to do to be good partners and good neighbors with Haiti as a hemispheric neighbor, we work in a whole broad range of areas, whether it's health, whether it's increasing economic opportunity, whether it's helping develop Haiti's infrastructure. And having legitimate authorities in place in line with the Haitian constitution makes it much easier, makes it unquestionably easier for us to do that kind of work.”

*The US Deputy  
Assistant Secretary of  
State and Haiti  
Special Coordinator  
Kenneth Merten.*

A week since Michel Martelly stepped down as president in the absence of a successor following the cancellation of the 24 January presidential run-off, Haiti's legislature fulfilled the first part of the deal he struck ahead of his departure with the senate president, Jocelerme Privert, and the head of the lower chamber, Cholzer Chancy. On 14 January Privert, an ally of the populist former president Jean-Bertrand Aristide (1991, 1994-1996; 2001-2004), swapped the presidency of the senate for that of the country after defeating two other candidates for the post which he will hold for a 120-day period. How far Privert will make good on his pledge to engage in dialogue with all sectors – the need for which was strenuously underlined by the Organization of American States (OAS) in the absence of “existing constitutional provisions” – remains to be seen.

Elected to the senate in 2010 for Inité, the former party of ex president René Préval (1996-2001, 2006-2011), Privert is now reportedly aligned with Préval's new party, Plateforme Vérité. He defeated Edgard Fils Leblanc (Organisation du Peuple en Lutte, OPL), a former senate president (1996-2000) who received the backing of Martelly's Parti Haïtien Tèt Kalé (PHTK), and Dejean Bélizaire (Mouvement National Patriotique du 28 Novembre 1980, Mnp-28) who also briefly served as senate president in 1991, in a two-round battle in the legislature. The second round saw Privert defeat Leblanc by a combined 77-33 votes after which he was declared victor.

A former head of the tax authority (1995-2001), Privert was interior minister (2002-2004) under former president Jean-Bertrand Aristide (1991, 1994-1996; 2001-2004). After Aristide's ejection, Privert was held in prison until 2006, on charges (subsequently dropped) that he was responsible for organising a massacre of dozens of Aristide opponents in February 2004. Allegedly, this took place in La Scierie, a small village near St Marc, some 100km north of the capital Port-au-Prince, with 50 people subsequently reported missing or presumed killed.

Privert's election was welcomed by supporters of Aristide, who has remained popular locally since his return to Haiti in 2011, and the international community. On 15 February the UN Secretary General Ban Ki-Moon issued a press release welcoming the 14 February election as a “crucial first step”.

The US Deputy Assistant Secretary of State and Haiti Special Coordinator Kenneth Merten responded by saying that “we believe that only a democratically elected government provides the legal legitimacy to govern Haiti and provides the Haitian people with the transparency we certainly believe that they deserve, adding that “the success of the February 5<sup>th</sup> agreement between these parties depends on the interim leadership's commitment to implement the terms of the agreement on the timeline that's outlined in it”.

**Controversial process**

The process was controversial, with some opposition groups criticising Privert's candidacy given his involvement in talks over an interim president. Also questioned was the new legislature's role in the process given the 92 new deputies (out of the 118-member lower chamber with contests pending for the rest) and 14 new senators (out of the 30-member senate, with six posts yet to be filled) were picked in the same (allegedly flawed) October 2015 contest for the presidential first round which produced the run-off between

## Jamaican election result

In 2011 Jamaica's PNP swept 41 of the 63 seats in parliament to 22 for the JLP. The most recent opinion poll gave the PNP, which has never suffered a one-term defeat before, a narrow four-percentage-point lead, but the elections will be decided by the outcome in 24 marginal constituencies.

the PHTK's Jovenel Moïse and Jude Célestin (Ligue Alternative Pour le Progrès et l'Émancipation Haïtienne, Lapeh). Célestin's boycott of the run-off due to the fraud allegations was no doubt a factor in the provisional electoral council (CEP)'s decision to cancel it.

Still, the Haitian opposition G-8 issued a statement on 16 February saying that the election of Privert was positive for a solution to the political and electoral crisis. The statement urged Privert to take into account the new political realities in the country, and select a consensus prime minister and provisional government to oversee the process of re-staging the presidential and partial legislative run-offs.

A key challenge for Privert will be to settle upon who should even participate in this process given the doubts over the electoral process and results. But the process did begin on 16 February when Privert began to meet some political parties and parliament. He discussed the appointment of a new prime minister, who will have to be approved by parliament "as soon as possible", and the formation of a provisional government.

### OAS report

On 12 February, the OAS, which sent a special mission to Haiti as part of efforts to find a solution to the electoral crisis, released its report which highlighted the need for dialogue in the absence of a clear constitutional framework. Noting "there is no provision in the existing amended 1987 Constitution for a transitional government and there is even doubt about whether the present Constitution is valid", the OAS found that "it quickly became clear that existing constitutional provisions were not sufficient to address the situation" and that any solution "had to be political, rather than legal".

The report also noted that all stakeholders met by the mission agreed on two fundamental points: no matter what form the solution would take, it would have to be a "national solution, identified and negotiated by national actors"; and that "dialogue would have to be the vehicle for the search of a national solution. No solution, imposed by any external source, would be sustainable."

## JAMAICA | POLITICS

### Electoral campaign turns ugly

The political atmosphere is heating up in Jamaica as voters prepare to cast their ballots on 25 February in general elections. Policy proposals have been very thin on the ground with the biggest debate being over the attempts by Prime Minister Portia Simpson Miller to avoid a public debate with the leader of the opposition Jamaica Labour Party (JLP), Andrew Holness. The ruling People's National Party (PNP) only presented its electoral manifesto on 16 February, giving voters just nine days to reach their conclusions. Given that the main issue is the economy, the decision by the rating agency Fitch last week to upgrade Jamaica's debt rating and revise its outlook is a welcome fillip for the government and could secure the PNP crucial votes at the polls.

Holness produced a '10-point plan' at the start of February to grow the economy and create jobs, including establishing a ministry of economic growth and job creation; to streamline bureaucracy holding up investments; expand affordable housing; drive urban redevelopment; and, crucially, a tax reform which would move the income tax threshold to J\$1.5m (US\$12,350) from J\$592,800 giving much of the middle class a tax break.

Simpson Miller dismissed it as a "10-point con" during a political rally, after which Holness branded her a "con artist" and reeled off various PNP

## Fitch on Jamaica

The Fitch report pointed out that “Debt interest payments still consume 27% of revenues, and current spending accounts for over 90% of the total, squeezing the amount available for investment.... Real GDP grew 1.5% year on year in 3Q15 (July-September 2015), the latest period for which data is available, and Fitch expects it to reach 1% year on year in calendar 2015, and 2% in calendar year 2016.”

campaign promises made in 2011 upon which her government has reneged. Simpson Miller threatened to take legal action against Holness unless he issued “a suitably worded apology” in Jamaica’s main media outlets; Holness threatened legal action of his own.

The PNP and JLP signed a code of conduct on 12 February to try and reduce the mounting tension but how much impact it will have is a moot point. The PNP also launched a fierce attack on Holness for ducking questions posed by the finance minister, Dr Peter Phillips, at a press conference last week about a large family home he has built. Simpson Miller conditioned her participation in a debate with Holness upon his disclosing details of the purchase.

Fearful that his silence would be taken as an admission that there was something untoward about the purchase, Holness eventually responded by releasing a statement on 15 February accusing Phillips, of having “politicised my personal affairs”, and insisting that the land and house construction had been financed by “savings, salary, bank loans, and supplier’s credit”. In riposte, Holness shot back nine questions of his own which he said Phillips needed to answer “for the sake of completeness and transparency”.

Phillips preferred to focus on the JLP’s 10-point plan, which he dismissed as “unworkable”. Phillips said it would remove more than 260,000 people from the tax roll and put a J\$30bn (US\$250m) hole in the budget. He said that it amounted to the opposition “telling us in their own way that they are tearing up the agreement that Jamaica has with the International Monetary Fund and the international community”. Holness responded by saying this figure was inflated and that his 10-point plan would provide an economic stimulus to offset a budget deficit.

Despite the statement by Holness about his house purchase, the PNP is still refusing to budge on the staging of a debate. The PNP insists that Holness must also respond to other issues of integrity which it has raised, as well as apologise to Simpson Miller. With time rapidly running out, and Holness reluctant to comply with further PNP demands, Jamaicans are unlikely to get a debate.

The PNP did at least release its campaign manifesto on 16 February, however, which includes a pledge to reduce income and general consumption taxes. This looks like a response to the tax break promised by the JLP in its 10-point plan. Unlike the JLP the PNP did not provide a figure. The JLP dismissed the PNP’s manifesto as “more of the same promises...just more expensive”. “Our people can no longer afford this Government. For far too long the PNP has used the Jamaican people as an ATM,” it added.

### Fitch reward

In the midst of the campaign battle came Fitch’s decision to revise Jamaica’s rating up a notch. “The decline in public debt has slightly outpaced Fitch’s expectations,” the rating agency argued. It said external finances were improving, and that the performance of Jamaica’s main sources of foreign exchange – tourism and remittances – was positive, although it pointed out that government debt/GDP “is still very high at an estimated 124.7% of GDP in March 2016”. It also predicted that public debt would “stay above 100% of GDP until 2020”.

The Fitch vote of confidence is a timely reminder of the government’s success in bringing down public debt but it has not yet delivered on the growth front: GDP growth averaged just 0.7% over the last five years. Simpson Miller has promised to focus on economic growth and job creation in a second PNP government. Other rating agencies should follow Fitch’s lead, helping her to deliver on this promise if she is re-elected by improving investor confidence and lowering borrowing costs.

## POSTSCRIPT

### Quotes of the week

“It is a lie to believe that the only way to live, or to be young, is to entrust oneself to drug dealers or others who do nothing but sow destruction and death. Jesus would never ask us to be hitmen. He would never send us to our death.”

*Pope Francis addresses Mexican youths at a stadium rally in Morelia, the capital of the western state of Michoacán.*

“The ELN only has two alternatives: board the train of peace, which is already leaving them behind, or face the implacable action of our security forces.”

*Colombia's President Juan Manuel Santos.*

“The biggest threat at the moment isn't Argentina. Actually it is Jeremy Corbyn and the Labour party, who seem determined to override the wishes of the islanders.”

*UK Defence Secretary Michael Fallon during a visit to the Falkland Islands (Malvinas).*

### Homicide rate down by over a quarter in Honduras

The homicide rate in Honduras has fallen by 26.5% since 2011, according to Julieta Castellanos, rector of the national autonomous university (UNAH) and the director of its prestigious observatory of violence.

Castellanos – who has led a strong campaign to push the government to tackle insecurity since her 22-year old son fell victim to the country's gun violence in October 2011 – said the observatory estimated the national homicide rate at 60 per 100,000 in 2015, down from a rate of 86.5 in 2011. There were 5,146 registered homicides in 2015, down by 13% over the previous year. Of these victims, 90.6% were male and 9.4% female. Most were aged between 15 and 44 and firearms were used in 75% of cases. San Pedro Sula, latterly known as the most violent city in the world, had a homicide rate of 112 in 2015, from 170 in 2014, which although still high was an important reduction, Castellanos stressed.

The decline in violence has been accompanied by a pick-up in economic growth. Honduras will post real GDP growth of between 3.3% and 3.7% year-on-year in 2016-2017, according to latest central bank (BCH) projections. BCH president Manuel Bautista said growth would be led by agri-fisheries, communications, the financial system and a recovery in construction. He projected year-end inflation of about 4.5%. The government expects a fiscal deficit of 3.6% in 2016, falling to 3.4% in 2015.

On the external side, the bank forecast only moderate export growth of 0.3% this year, but Bautista said that this should accelerate to 5.2% in 2017 as manufacturing exports (mostly US-bound) strengthen, offsetting weaker prices. Total merchandise exports were worth US\$6.2bn to September 2015, on latest available BCH figures, with imports of US\$8.4bn, to give a deficit of US\$838bn. Likewise, moderate import growth of 0.7% this year will quicken to 4.8% thereafter, Bautista noted.

Remittances (typically 20% of GDP) are forecast at US\$3.9bn in 2016, rising to US\$4.2bn in 2017. International reserves are expected to be around US\$4.1bn this year and US\$4.4bn in 2017, giving import cover of about 4.5 months. The government expects foreign direct investment (FDI) of US\$1.26bn this year and US\$1.3bn in 2017.

### LatinNews Daily

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

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

**LatinNews Daily** costs just \$1,760 USD or £1,080 GBP for the year. For a 10-day free trial register at [www.LatinNews.com](http://www.LatinNews.com), or for further information please contact Maria Isotalo via our online form at: [www.latinnews.com/contact-us](http://www.latinnews.com/contact-us).

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

**EDITOR: JON FARMER**. Subscription rates will be sent on request. Overseas subscription sent by airmail. Printed by Quorum Print Services Limited, Unit 3, Lansdown Industrial Estate, Gloucester Road, Cheltenham, Glos. GL51 8PL **COPYRIGHT © 2016** in all countries. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, electrical, chemical, mechanical, optical, photocopying, recording or otherwise, without the prior written permission of the publishers. Registered as a newspaper by Royal Mail. **REFERENCES:** Back references and cross-references in the current series will be made thus: WR-16-01 will indicate Weekly Report, 2016, issue 1.