

# latin american weekly report

26 May 2016, WR-16-20

ISSN 0143-5280

## CONTENTS

<b>LEADER</b>	<b>1</b>
Ecuador's Correa puts positive gloss on dismal picture	
<b>ANDEAN COUNTRIES</b>	
<b>VENEZUELA</b>	<b>3</b>
Maduro spends US\$20m on military exercises	
<b>PERU</b>	<b>5</b>
Fujimori exposes Kuczynski's lack of ringcraft	
<b>BRAZIL &amp; SOUTHERN CONE</b>	
<b>CHILE</b>	<b>6</b>
Violent protests mar Bachelet's address	
<b>ARGENTINA</b>	<b>7</b>
Macri ramps up bid to reshape foreign policy	
<b>BRAZIL</b>	<b>9</b>
Temer administration shaken by tape recordings	
<b>URUGUAY</b>	<b>11</b>
Opposition slams Vázquez over tax increase	
<b>MEXICO &amp; NAFTA</b>	
<b>MEXICO</b>	<b>12</b>
Electoral process probed in five states	
TRACKING TRENDS	
<b>CENTRAL AMERICA &amp; CARIBBEAN</b>	
<b>GUATEMALA</b>	<b>14</b>
Morales tested over corruption	
<b>NICARAGUA</b>	<b>15</b>
Opposition selects candidate to face Ortega	
<b>POSTSCRIPT</b>	<b>16</b>
UN puts Honduran impunity rate at over 90%	
Quotes of the week	

## Ecuador's Correa puts positive gloss on dismal picture

Ecuador's President Rafael Correa delivered his final state-of-the-nation address to the national assembly on 24 May after nine years in government. The phrase that occurred most frequently in Correa's address was "the victorious decade" as he sought to convey the achievements of his whole mandate rather than the serious travails of the last year. But this could not conceal the fact that Ecuador faces by far the bleakest economic prospects of Correa's tenure. The publication of an opinion survey on the eve of Correa's address shows his approval rating has reached a nadir, suggesting that whoever replaces him at the helm of the 'Citizens' Revolution' will struggle to win election for the ruling Alianza País (AP) next February.

President Correa argued that his 10 years in power would be remembered as "the victorious decade" as he would hand over a "totally different" country to the one he inherited in 2007. Average GDP growth between 2007 and 2015 was 3.9%, Correa said, surpassing the 2.9% average for the region, while the economy had more than doubled in size from US\$46bn in 2006 to nearly US\$100bn in 2015. Multidimensional poverty fell by 16.5 percentage points, Correa went on, equating to 1.9m Ecuadoreans being lifted out of poverty, while the investments his government had made, he argued, would allow Ecuador to save US\$3.6bn a year in the future. "There is no better saving than a good investment," Correa argued, pointing to enhanced road networks (US\$8.9bn of investment) and infrastructure, especially large new hydroelectric dams (US\$7.2bn).

While Correa was naturally keen to focus on his whole mandate, he said that nothing could prepare the country for "the perfect storm" that had struck last year, with the appreciation of the US dollar; reduced exports; a lower tax take; plummeting oil prices; an adverse ruling by the World Bank's International Centre for Settlement of Investment Disputes (Icsid) last November, compelling Ecuador to provide US\$1.06bn in compensation to Occidental Petroleum (Oxy) for its seizure in May 2006 of an oil block operated by the US oil company; and, above all, the sharp decline, and prolonged low, of oil prices. He said this situation had been compounded by "the collapse of the Russian market", one of Ecuador's main non-oil markets, and the slowdown in China, the country's main source of finance.

"Oil prices have reached their lowest level in history," Correa argued. He said that the average price in 2016 for a barrel of oil has been just US\$28. He added that the budget was predicated "very conservatively" on an average annual price of US\$35 per barrel. In the first quarter of 2016 the country received US\$1.24bn less for crude exports than in the same period last year, already a low base of comparison. Correa said that the payment to Occidental, which will be completed in June this year, was the equivalent of an additional US\$12 per barrel fall in oil prices.

“This exceptionally tough test will not be overcome with petty politicking such as the proposed sale of presidential planes or suspending the ‘enlaces ciudadanos’ [President Correa’s weekend media broadcasts] nor with spontaneous donations, although these are always welcome; it will be solved, it will be confronted with organised collective action.”

- *President Rafael Correa.*

“The difficult external context meant that in 2015 exports fell by US\$7.4bn, and external financing by US\$2bn. That is to say US\$9.4bn stopped flowing through the economy, more than 9% of GDP,” Correa said. He claimed that Ecuador had undertaken “by far the biggest adjustment in the whole of Latin America” by lopping US\$6bn, 6% of GDP, from the budget between 2015 and 2016, primarily in intended investment.

### “No miracles”

In the wake of all of this, Correa said, came the devastating earthquake of 16 April, which claimed 673 lives, 6,274 people injured, 28,775 homeless, and destroyed 6,998 buildings. With his address punctuated by music and videos celebrating the stricken northern coastal provinces of Manabí and Esmeraldas, Correa said his final year at the helm would be focused on “administrating the post-earthquake crisis and economic problems that were already dragging us down”. He promised to “steer the ship of state to a safe port: without *paquetazos* [painful fiscal adjustments] without paralysis and without the looting of the past”.

Correa did express “enormous concern” that unemployment grew by one percentage point in 2015 to 4.7%. And it was this point that Guillermo Lasso, the leader of the right-of-centre opposition Movimiento CREO, picked upon. Lasso claimed that the lack of jobs was the main problem facing Ecuador right now, with “4m families living in underemployment or the informal sector”.

Deputy Luis Fernando Torres, of the conservative opposition Partido Social Cristiano (PSC), tweeted in response to Correa’s address: “a victorious decade when there are fewer jobs and decreasing growth?” Torres accused Correa of being guilty of the time-honoured failing of left-wing governments: reckless spending during the good years and no savings for a rainy day. The trouble is when it rains in countries like Ecuador, which are so heavily dependent on primary commodities, it tends to be torrential.

Correa has set great stock by his government’s efforts to diversify trade and its commitment to innovation. Unlike the Bolivarian Revolution in Venezuela, initiatives such as the Yachay City of Knowledge in Imbabura province should be lasting positive legacies of Correa’s government, although ironically it will also be remembered for presiding over arguably the most comprehensive increase in extractive industries in the country’s history, approving the exploitation of oil in the Yasuní national park and seeking to establish mining as one of the great axes of economic development over the next few years.

Correa wound up his address by saying that it would be “a tough year” to conclude his decade in power. He said his government would continue to cut spending where necessary, starting with abolishing 12 deputy ministries. He also announced the planned sale of public companies, such as the national airline Transportes Aéreos Militares Ecuatorianos (TAME), Cementera del Ecuador (EPCE), Fabricamos Ecuador (Fabrec) and Banco del Pacífico, and mooted public-private partnerships (PPPs) in public companies such as the state telecom operator Corporación Nacional de Telecomunicaciones (CNT), the oil and gas transport firm Flota Petrolera Ecuatoriana (Flopec), and the hydroelectric dams Sopladora, Manduriacu and Ocaña.

Correa also revealed that his government would resend the inheritance tax bill to the national assembly, with revisions. This produced large-scale popular protests last June. More of the same could be in the offing. The day before Correa’s address, a new Cedatos poll showed that 58% of Ecuadoreans no longer want him as president. His approval rating has fallen by 15 percentage points over the past year to 35%. This is ominous for the ruling AP with barely eight months to go until presidential and legislative elections.

**Maduro spends US\$20m on military exercises**

President Nicolás Maduro was front and centre at the full military exercises staged in Venezuela on 21 and 22 May, declaring that the Bolivarian Armed Forces were fully united and stood ready with the Socialist government to countenance any external threat. The US, he said, “dreamed” of dividing the military.

“These armed forces are wholly Chavista,” President Maduro declared. “From the empire, they dream of dividing our armed forces...fragmenting them, weakening them”. Maduro had called the exercises the day after announcing a 60-day national state of exception in the country, accusing the US air force of crossing into Venezuelan territory with planes of “lethal technical capacity”. Maduro acts convinced in public declarations that a US-backed invasion of Venezuela is nigh.

Some observers suggested that Maduro was in fact seeking to assert his authority over a restive military, with the opposition press arguing that dissent was growing among low-ranking officers who are reportedly beginning to endure, along with their families, similar hardships to the rest of the population. This is despite the fact that the Venezuelan military for years now has been awarded pay rises well above the rest of the country. But hyperinflation and severe scarcities combined are proving too much for most people in Venezuela these days.

Added to this were strong and very public words of criticism from a former close military ally of Maduro’s predecessor Hugo Chávez (1999-2013) – (Rtd) Major General Cliver Alcalá Cordones – who joined other former senior Chavistas in accusing Maduro of mismanagement and betraying Chávez’s legacy.

Some members of the opposition coalition, Mesa de la Unidad Democrática (MUD), also suggested that the exercises might in fact be a practice run to control the population in the event of a ‘self-coup’ by Maduro, who recently publicly took the view that the now MUD-controlled national assembly was past its expiry date, prompting fears that he might move to close down the legislature altogether.

Whatever the actual motive, local defence experts put the cost of the exercises at US\$20m, a staggering amount given the country’s desperate financial plight. Opposition deputy Elías Matta (Un Nuevo Tiempo) noted that the money could have fetched 4,000 tonnes of meat (at US\$4 a kilo), along with urgently needed medicines. And in a week where the international media ran stories about malnourishment in Venezuela, the president of the Arturo Uslar Pietri Foundation (FAUP), Antonio Ecarri, told the visiting head of the leftist Spanish political party Ciudadanos, Albert Rivera, that Venezuelan children are coming to school hungry and fainting in class for lack of proper sustenance. He said there was a “food emergency” in Venezuelan schools.

**CNE does its job, very slowly and to the letter of the law**

Against this backdrop, Sandra Oblitas, rector of the national electoral council (CNE), announced on 24 May that the CNE had no firm date in mind for the second signature drive required as part of the presidential recall referendum process being sought by the opposition. Oblitas said that the CNE had yet to validate the required number of signatures (1% of the registered electorate, roughly 197,000) to trigger the process.

**Pdvsa getting into more debt**

The state oil company Petróleos de Venezuela (Pdvsa) is preparing to issue US\$2.5bn in promissory notes to settle bills outstanding with oil services companies, according to *Reuters*, which previously reported that Pdvsa had issued at least US\$310m in debt securities for services companies threatening to cease operations in the country. According to *Reuters*, Pdvsa has contracted a Miami-based financial services firm, CP Capital, to structure three-year notes with a one-year grace period, which would have the same status as Pdvsa’s global bonds.

## **No beer – and no coke either**

Just weeks after Empresas Polar said that it would have to shutter its breweries for want of imported grains, Coca Cola Venezuela said it would temporarily stop making Coca Cola and other fizzy drinks for lack of refined sugar, the key ingredient. The company said that workers would be compensated for the duration of the shutdown and expressed hope that the situation would be resolved quickly. Production of Coca Cola Light, made without sugar, would continue, the firm emphasised.

This latest announcement will further dampen the mood amongst those in the opposition who fear that the pliant CNE will scupper the process until next year. At that stage, a referendum loses its validity for the opposition because if a president is recalled in the final 24 months of the six-year term, then the vice-president steps in and sees out the term, without the need for fresh elections. Just days before Oblitas made her latest announcement, the CNE had unveiled a heretofore-unheard-of five-stage validation process for the initial batch of signatures, which opposition electoral technicians described as an absurdity.

Assuming the CNE validates the first batch of signatures (which must then also be verified electronically by the signatories, who are required to give a digital fingerprint at yet-to-be designated centres around the country), the second round of the process requires the opposition to gather, potentially within just a three-day period, the signatures of 20% of the electorate of just over 19m – so almost 4m.

Commenting on the latest judicial ruling banning demonstrations outside any CNE offices in the country – on the grounds of defending the rights of CNE workers – Oblitas said there had to be a distinction between demonstrations and “other types of actions”. Despite the restriction, opposition leader Henrique Capriles Radonski insisted that another round of marches would go ahead on 25 May. Two demonstrations to date have failed to get anywhere near the main CNE office in central Caracas, with Chavista municipal authorities refusing permission for access to city centre streets and heavily armed security forces in any case blocking access.

### **It's the economy, stupid**

A new opinion poll by Hinterlaces found that 59% would vote in the affirmative in a recall referendum against President Maduro if held this year. According to Oscar Schémel, president of Hinterlaces, “at this moment, Chavismo would lose any kind of election”, as Venezuelans increasingly feel that the Maduro government’s “hyper-revolutionary discourse” is removed from the basic demands of citizens. He added that Chavismo “is losing symbolic power” in clinging to a discourse that fails to deal with the concrete problems on the ground. In this scenario, Venezuelans are principally backing the opposition push for recall referendum so as to penalise the government’s disastrous economic management.

However, Schémel notes, it is not clear that Chavismo is defeated; in fact Hinterlaces calculates that it still has a support base of 30%. Schémel also notes that the opposition “still doesn’t have a hopeful discourse, it doesn’t have a proposal”. He also suggests that the growing support for the recall referendum is linked to the perception held by citizens that the opposition-controlled national assembly “doesn’t have sufficient capacity” to resolve the problems afflicting the country. Despite that, the assembly is still one of the best-rated institutions, he noted, with “a majority favourable opinion”.

The best-rated institution in the country, according to Hinterlaces, is Empresas Polar, the country’s biggest food & drinks manufacturer and long the subject of vitriolic attacks by the Socialist government (which nonetheless has never dared move against it, knowing that it feeds the country). Over 80% of Venezuelans have a favourable opinion of Empresas Polar, according to Schémel. Ranked behind in second and third place are the Catholic Church and the national assembly, he revealed, without divulging exact figures. Of the other institutions of State, the military is the best ranked, with the support of a little over 50% of the population.

Finally, despite Maduro’s claims of an external war against Venezuela, 81% of respondents said they would be open to international mediation to help the country through its bitter political crisis and to get the economy back on its feet.

## Fujimori exposes Kuczynski's lack of ringcraft

Keiko Fujimori drew first blood in the presidential debate held in the northern region of Piura on 22 May. She was aggressive and energetic. By contrast it was a lacklustre performance by Pedro Pablo Kuczynski, her rival in the second-round run-off on 5 June, who had been handed a gift heading into the debate, after Fujimori was forced to jettison Joaquín Ramírez, the secretary general of her party, Fuerza Popular (FP), after he was implicated in a money-laundering scandal [WR-16-19], appointing her running mate, José Chlimper, in his stead in an interim capacity. But it was Kuczynski who seemed to be on the defensive more often, like an aging prizefighter against a more nimble opponent.

Anticipating that Kuczynski would come out swinging over Ramírez, Fujimori clearly felt that attack was the best form of defence. "Kuczynski's plan is designed to defend the interests of big business, his vision is elitist, of the transnational corporation," Fujimori said. She then had the temerity to accuse Kuczynski's running mate, Martín Vizcarra, of corruption in connection with the acquisition of land in the southern region of Puno. Taken aback, Kuczynski failed to seize the opportunity to denounce her as the scion of the most corrupt president in Peru's history; corruption which the allegations against Ramírez suggest would seem to be alive and well within FP.

Similarly, it was only the day after the debate that Kuczynski discovered the appropriate riposte (from the local press) to Fujimori's criticism that he recently spent eight days in the US while she was visiting various regions of Peru. Addressing a meeting of agricultural producers in the city of Tarapato in the northern region of San Martín, Kuczynski said that he had been visiting his daughter in New York City, while pointing out that Fujimori had spent 500 days of her five years as a deputy (2006-2011) absent from congress and had failed to present a single legislative initiative in that entire time. He also accused Fujimori of having attacked him with "a machine gun of lies made by [former president Alberto Fujimori's intelligence chief Vladimiro] Montesinos".

During the televised debate itself, Kuczynski was too slow on his feet to come up with these responses and Keiko, far from being restricted to a damage limitation exercise in the wake of the Ramírez revelations, landed several blows. She seemed more natural in front of the camera and showed greater empathy with the audience.

That said it was far from a flawless performance and if Kuczynski ups his game he should be able to strike back in the concluding debate in Lima on 29 May. Keiko, for instance, maintained that the reduction in police salaries had affected the families of police officers when in reality police wages have increased significantly under the government of President Ollanta Humala to compensate them for ending the so-called '24x24' system under which officers can spend one day working for the force and the next for a private security company, which she favours restoring.

### Kuczynski slips in polls

Disturbingly for Kuczynski, the latest opinion poll by Ipsos suggested that Keiko has carved out a five-percentage-point lead. Although Kuczynski dismissed the poll, arguing that it was conducted before the revelations about Ramírez, it was actually carried out between 19 and 20 May, a few days later. He will be hoping that when push comes to shove the incident decisively influences the large number of undecided voters (possibly as high as 20%).

“They say that Pedro Pablo is a man who cannot attack, but I can...More than likely the daughter of a pickpocket is a pickpocket too...With US\$6bn packed into suitcases to Japan, Albania, Switzerland and Panama, we could have fixed the problems of Peru's hospitals...Instead of that the money is rotting in a bank in Tokyo.”

- Pedro Pablo

*Kuczynski steps up his game after the first debate.*

**Violent protests mar Bachelet's address**

President Michelle Bachelet's 90-minute state-of-the-nation address on 21 May was overshadowed by violence. Hooded individuals went on the rampage in the port city of Valparaíso, hurling Molotov cocktails, looting shops, and setting public buildings ablaze. A security guard died from asphyxiation after being trapped on the second floor of a municipal building engulfed in flames. The bitter irony for Bachelet was that while she was inside the nearby congressional building vowing to proceed with an unpopular reform agenda, her government has failed to address adequately one of the public's main concerns of growing crime rates and insecurity.

Violent incidents coinciding with the state-of-the-nation address on 21 May, the same day in 1879 that Captain Arturo Prat died leading his men aboard the Peruvian ironclad 'Huáscar' during the War of the Pacific, are becoming increasingly common. Twenty people were injured and 37 arrested last year in clashes with the militarised police Carabineros. This year's fatality, however, was a first as violent groups took over what had begun as a peaceful protest march.

President Bachelet's popularity, oscillating around 20%, has not recovered from the corruption scandal that rocked the political establishment to its foundations and battered on the doors of her family life in early 2015. Unlike in previous years she did not make any major new announcements, claiming instead that the bulk of the ambitious programme of reforms rolled out by her government since 2014 had been completed. Not only are most of the reforms she cited incomplete, however, but major uncertainty also surrounds them.

Bachelet pointed to an education reform pushed through by her government, for instance, but she was forced to admit that her pledge to provide free universal education would not be met during this government (follow-up legislation next month will focus on not-for-profit university education). There is the accountability and anti-corruption reform that her government undertook to clean up business and politics, which many see as a decent port of embarkation but not the final destination. And then there is the process to create a new constitution, which Bachelet hailed during her address, accusing some members of the political opposition of not being aboard the train of history. But considerable uncertainty surrounds this initiative too, not least who will be driving the train; will it be congress or a constituent assembly? Bachelet made no mention of any intended revisions to her government's labour reform, reviled by the business sector, and recently rejected (in part) by the constitutional court [WR-16-18].

Bachelet placed an emphasis on the need to reactivate the economy which, according to the latest forecast of the International Monetary Fund (IMF), will grow by 1.5% this year, the lowest rate since 2009. She said that without economic growth there could be no social development and that the challenges for Chile's finances were "much more profound than a bad streak for copper prices".

Bachelet did not elaborate much on how her government plans to accomplish this. The only really firm announcement in this regard was the launch of a housing construction programme and neighbourhood improvement scheme, which, she said, would create 62,500 new jobs, 25,000 new homes, and investment of US\$430m over the next three years.

**Modernising the economy**

"We know that Chile must modernise its economy. This means more international integration, more productivity, more diversification and innovation, better balance between growth and the environment...I invite you to do it together," President Bachelet said during her state-of-the-nation address. There was not much substance behind the words, however, other than the announcement that her government would create a science & technology ministry.

## Support for Chiloé fishermen

The most recent survey by pollster, Plaza Pública Cadem, published on 16 May, showed 76% of respondents supported the fishermen from Chiloé in their protests staged in response to the fishing ban. However, the same poll showed that 60% of respondents were opposed to the blockades erected by the Chiloé protesters. The poll also showed that President Michelle Bachelet's approval rating was at 24% and her disapproval rating at 67%.

### Deal struck with protesting fishermen

The government has negotiated a solution to a conflict with the artisanal fishing industry in the Chiloé archipelago, Los Lagos Region, in the wake of the biggest 'red tide' algal bloom event in Chile's history [WR-16-18]. On 14 May, President Bachelet named Economy Minister Luis Felipe Céspedes the 'coordinating minister' in charge of addressing the effects of the red tide, and after five days of intense negotiations, the government announced it had reached deals with all of the communes affected in the Chiloé archipelago, which led to the fishermen calling off their two-and-a-half week protest.

As per the agreement, 6,000 artisanal fishermen will receive a one-off payment of Cl\$300,000 (US\$448) and three future payments of Cl\$150,000 while, as of 23 May, a further 4,000 families agreed to receive government hand-outs. The Bachelet government has also announced the establishment of a five-member panel of experts tasked with examining the potential relationship between the red tide and the farmed salmon industry, as well as with drawing up a permanent action plan to address the issue. On 13 May the main students' organisation, Confederación de Estudiantes de Chile (Confech), held protests outside the Santiago offices of salmon producer, AquaChile, which they accuse of causing the red tide crisis.

Greenpeace Chile published an open letter to Chile's maritime authority (Directemar) a week earlier, demanding access to public information regarding the 'red tide' event. In its letter, Greenpeace urges the Bachelet administration to turn over all permits and documents relating to authorisations for the dumping of tonnes of dead fish and other salmon industry waste between 7 and 20 March 2016. Greenpeace complains that the information provided to date is "chaotic and unclear" and demands transparency so that the organisation can "investigate what really happened, to obtain serious and adequate solutions".

Greenpeace also cited the 1996 London Protocol (to which Chile is a signatory), borne out of the 1972 London Convention, a piece of international law that prevents marine pollution by prohibiting waste dumping, except for certain cases expressed in the so-called "reverse lists".

While "fish wastes or material resulting from fish processing operations" are included in this list, Greenpeace contends that the publicly available information does not clearly show that the government followed the procedures for dumping authorisation outlined by the protocol.

## ARGENTINA | DIPLOMACY

### Macri ramps up bid to reshape foreign policy

President Mauricio Macri continued with one of his government's main priorities of opening Argentina up to the world by formally presenting his foreign minister, Susana Malcorra, as a candidate for secretary general of the United Nations (UN) this week. Malcorra had served as chef de cabinet to the incumbent secretary general, Ban Ki-moon, before assuming her present position last December. She would be the first female secretary general since the UN was created in 1945. Interviews will take place in June with a view to making an appointment in September to replace Ban next January.

In a letter to the president of the UN general assembly, Mogens Lykketoft, and president of the security council, Amr Abdellatif Aboulatta, President Macri said Argentina's nomination of Malcorra was consistent with "a foreign policy more integrated with the world" and a commitment to "inclusive dialogue...respecting the diversity of focus and interests".

For her part, Malcorra said she would offer "passion" and "experience". Macri will need Malcorra to demonstrate both in her present capacity before she might succeed Ban. Malcorra hosted her new Brazilian peer, José Serra, in Buenos Aires on 23 May, as the Macri administration seeks to establish ties with a new government in Brasília, led by acting president Michel Temer, with which it should be more attuned in terms of political and trade orientation.

## Malcorra

Foreign Minister

Susana Malcorra

sought to offset

opposition criticism of incompatibility

between her present

role and her

nomination for UN

secretary general.

She stressed on

Twitter that until the

UN made its decision

she would devote

“100% of my time to

my job as foreign

minister”. But her

every move will be

scrutinised over the

coming months by

the opposition to see

whether she is using

her job to campaign

for the UN position.

Serra underscored the primary importance of diplomatic relations with Argentina, agreeing to the creation of a mechanism for bilateral political coordination. He also stressed the need to “deepen free trade” through the Southern Common Market (Mercosur). Serra said this did not mean scrapping the common external tariff and customs union, but he advocates the removal of the bar to signing bilateral trade agreements outside of Mercosur. He said the focus would be on “creating mechanisms that give greater flexibility to the possibility of negotiation with third countries”, such as “strengthening ties between Mercosur and the Pacific Alliance [Mexico, Colombia, Peru and Chile] because we cannot allow a division between the east and west of South America”.

Serra, who also met Argentina’s finance minister Alfonso Prat-Gay and finally Macri himself, responded indirectly to the concerns recently expressed by Rodolfo Nin Novoa, the foreign minister of Uruguay, which is exercising the pro tempore presidency of Mercosur, that the suspension of Dilma Rousseff pending an impeachment trial would adversely effect trade negotiations between Mercosur and the European Union (EU). This took place just as the two blocs exchanged offers for the terms of a trade deal for the first time since 2004. Serra said the new government was fully functional and fully committed to sealing a trade deal with the EU. Serra and Malcorra agreed that federal congresses in both countries would form a commission to help remove restrictions and red tape in order to dynamise Mercosur, particularly in relation to the EU talks.

### Macri bites the bullet

President Macri cast his first veto last week, striking down the ‘anti-dismissal’ bill approved by the federal congress. In a letter defending his decision, published in the daily *La Capital* of Rosario, the industrial hub and largest city in the province of Santa Fe, Macri argued that the bill “does not help anyone”. The labour minister, Jorge Triaca, said the worst aspect of the law was that it would deter investment and employment, not just dismissals. Héctor Recalde, the president of the Frente para la Victoria (FPV, Kirchneristas) faction of the main opposition Partido Justicialista (PJ) in the federal lower chamber of congress, denounced the veto saying it would “not contribute at all to political dialogue which Macri calls for but does not practice”. But Recalde conceded that it would be difficult to muster a two-thirds majority to overturn the veto.

The fissiparous trade union movement is in talks over whether to stage a general strike in early June against the veto, but Macri succeeded in dividing the five main unions when sealing a deal last week to lift the minimum wage by 33% in three stages from AR\$6,060 (US\$424) per month to AR\$8,060 by January 2017.

Macri made an unexpected appearance at the meeting between business and trade union leaders in the presidential palace, even reaching out to the unions by quoting former president Juan Domingo Perón (1946-1955; 1973-1974) on the importance of productivity. Macri stressed the importance of recovering “the dignity of the culture of work” because “the world, rather than buy our products, wants to sell us its own”, but he recognised that “we are in a difficult transition”.

This is perhaps no more keenly felt than with the government’s massive electricity and gas price increases. In a meeting with provincial governors this week, the interior and energy & mining ministers, Rogelio Frigerio and Juan José Aranguren respectively, announced a cap of 400% on gas price increases for residential consumers in the Patagonian provinces of Tierra del Fuego, Santa Cruz, Chubut, Río Negro and Neuquén, as well as La Pampa, at the onset of the Southern Hemisphere winter. But the governor of the south-eastern province of Río Negro, Alberto Weretilneck, said the government had not gone far enough. There are also moves afoot to summon Aranguren to face questions in the federal congress. Deeply uneasy about the energy price hikes and associated electoral costs, the Unión Cívica Radical (UCR), a key part of the ruling Cambiemos coalition, might not oppose such a move.



**Temer loses allies**

In a note released to the media, interim president Michel Temer thanked Romero Jucá for his work and said that he counted on his continued political capabilities in the federal senate. Allies of the interim president indicated that Jucá is unlikely to return in the short-term. It is a major blow to Temer, to lose both Eduardo Cunha, the speaker of the federal lower chamber, and Jucá. Both men were key architects of the impeachment process, both closely allied to Temer and very capable legislators who would have played a vital role in ensuring congress does the interim government's bidding. While both men are likely to continue to play important roles, it is incontestable that they have lost some of their influence.

**Temer administration shaken by tape recordings**

To his enemies, Michel Temer has long been compared to a “butler in a horror movie” – softly spoken, but slightly sinister. In an attempt to dispel that impression, and to insist that the latest scandals and missteps in his two-week-old administration would not deter him, Temer banged the table during a press conference on 24 May. “I have heard: “Temer is very frail, poor thing, he cannot govern. Nonsense!” he said. “I was public security secretary twice in São Paulo and I had to deal with criminals. I know what to do in government.” In the light of recent revelations, Brazilians could be forgiven for wondering if there is any difference between the two.

Picking seven cabinet ministers accused of involvement in the corruption scandal involving the state-controlled oil company Petrobras was a decision that exposed the desperate weakness of Temer’s position. Clearly he was indebted to a wide coalition of opposition parties for the votes that suspended Dilma Rousseff and resulted in his ascension to the presidency. For the Left, the opposition’s actions against Rousseff appeared much less to do with manufactured outrage at her budgetary manoeuvres and more to do with a desire to ensure power for itself and to spike the guns of ‘Operation Car Wash’. Events this week have certainly bolstered that interpretation.

On 23 May the daily *Folha de São Paulo* published transcripts of secretly recorded conversations between Romero Jucá, the planning minister from Temer’s Partido do Movimento Democrático Brasileiro (PMDB), and Sérgio Machado, a former senator and former head of Transpetro, a Petrobras subsidiary. In the recording, made before Rousseff’s suspension, Jucá says clearly that impeachment would be a way for politicians to avoid being prosecuted for corruption. As Rousseff was unwilling to do this, it was necessary to remove her from office and form a “national pact” to “stop the bleeding”. Jucá also claimed to have secured the tacit agreement of the armed forces and the judiciary over his plans.

In his first comments after the recording was made public, Jucá insisted that the comments were “banal” and referred merely to the necessity of ending the recession rather than the Petrobras investigation. Subsequently, *Folha* published the whole hour-long transcript in which Jucá did not mention the economy once. Later that same day Jucá announced that he would stand down from his role while the federal police investigated.

Jucá was not the only politician Machado had been secretly recording. In the sights of Rodrigo Janot, the attorney general, Machado had been working on an insurance policy to help him to negotiate with prosecutors. Renan Calheiros, the senate president, was also recorded talking of the need to change the law to curtail plea bargaining testimony, a key tool of the ‘Operation Car Wash’ prosecutors. He also discussed securing the support of the supreme court and reported a conversation he had with Rousseff in which she apparently said that when she attempted to talk to the court’s president, Ricardo Lewandowski, about its constitutional role he was only interested in talking about his pay rise.

The next day was the turn of former president José Sarney (1985-1990) to have his private musings with Machado exposed. He expressed a willingness to try to interfere in the judicial process to help Machado. The PMDB politician also claimed that Rousseff had directly solicited funds from Marcelo Odebrecht, CEO of the construction company of the same name, to bankroll her election campaign. If true, this could lead the supreme electoral court to invalidate the

## **Austerity Cunha?**

Eduardo Cunha, the suspended speaker of the federal lower chamber of congress, continues to receive benefits valued at around R\$400,000 (US\$111,000) each month, including the upkeep of his mansion, with six cooks and four waiters. On top of this he continues to draw his R\$33,700 salary each month.

2014 elections. Furthermore, Sarney added that Odebrecht's plea bargaining testimony would be "a full-bore machine gun"; in other words, that it is likely to prove utterly devastating to Brazil's political class. Advisers to Temer are now putting forward the idea that he should suspend all the ministers accused in 'Operation Car Wash' in an attempt to get ahead of the scandal.

### **Supreme Court under suspicion**

The recordings published over the last week have raised once again the question of whether Brazil's supreme court is politically compromised. While defenders of the impeachment process insist that Brazil's institutions are functioning normally, the probity of the country's top judges is likely to come in for increasing scrutiny. All three men – Jucá, Calheiros and Sarney – some of the most experienced politicians in the country, appear to suggest that the court justices were biddable.

Over recent weeks, the left-wing Partido dos Trabalhadores (PT) has also raised questions about the attitudes of Gilmar Mendes, who was seen dining with José Serra, the new foreign minister, on 16 March, the day before he blocked the appointment of former president Lula da Silva (2003-2011) as cabinet chief in Rousseff's government. Mendes has now shelved two inquiries into Aécio Neves, the 2014 presidential candidate of the centre-right Partido da Social Democracia Brasileira (PSDB).

Earlier this month the press office of the supreme court revealed that a listening device had been discovered in the offices of Luis Roberto Barroso, one of the supreme court justices. Should compromising tapes of the judges emerge that would profoundly shake one of the few Brazilian institutions with a vestige of credibility.

### **Congress approves budget deficit**

Despite losing a minister, interim president Michel Temer did have some reasons to cheer this week, after hailing the "sweet victory" of his bid to secure congressional approval for a massive budget deficit. Just before 4AM on the morning of 25 May, congress voted to authorise a R\$170.5bn (US\$47bn) primary fiscal deficit. The stakes were high: had it not been approved, various government programmes would have faced an immediate cut in spending, effectively paralysing parts of the country.

Among the government's plans to tackle the rising deficit is a measure to limit spending to no more than the previous year's amount, adjusted for inflation. Health and education will be subject to those spending limits. The bill approved by congress also scraps Brazil's sovereign wealth fund and obliges the state development bank (Bndes) to pay back R\$100bn (US\$28bn) to the treasury.

According to Temer's economic team, the R\$170.5bn spending limit will be a ceiling and the government will attempt to undershoot. Dilma Rousseff had put forward a budget deficit of R\$96bn in March, which the interim government claims was another example of her government's accounting duplicity. Much of the detail of how this spending limit will be achieved is still unclear, however, with industry calling for spending cuts, and trade unions calling for tax rises.

Also unclear is the level of support Temer has in congress. The vote was decided by acclamation rather than a vote, ostensibly to speed up the process. Already there are signs that one small party, the Partido Verde, which supported the impeachment process, is distancing itself from the Temer administration.

Attempts by the new opposition, comprising mainly members of the Partido dos Trabalhadores (PT), to block the bill were rejected by the senate president, Renan Calheiros, who used parliamentary procedure to turn off the microphones of opposition deputies who spoke for too long. The PT argues the new measures will weaken the constitutional guarantees for health and education spending and the scrapping of the sovereign wealth fund will undermine the long-term benefits expected from Brazil's pre-salt oil fields.

## Opposition slams Vázquez over tax increase

Uruguay's political opposition reacted furiously this week to the announcement by President Tabaré Vázquez that there will be a "modest" increase in personal income tax (IRPF) from 1 January 2017. All three opposition parties – Partido Nacional (PN, Blancos), Partido Colorado (PC, Colorados), and Partido Independiente (PI) – accused Vázquez of "lying" during his 2014 electoral campaign when he assured voters that "there will be no increase in the tax burden".

"Those who have most will pay the most," President Vázquez said during a visit to Battle y Ordoñez in the central department of Lavalleja on 23 May. Vázquez said that 60% of the population, earning less than Ur\$27,000 (US\$840) per month, would continue to be exempt from the IRPF, and that 80% of the additional tax take would be provided by 10% of the population (*see sidebar*).

Speaking later in the day, the economy & finance minister, Danilo Astori, explained that the measures would be presented to congress at the end of June. Astori said the measures are designed to improve the fiscal deficit, which stands at 3.6% of GDP. He said that unless this was addressed it would create greater debt; make access to markets and financial resources more expensive; and could lead to a credit downgrade, which he said Uruguay had to "zealously protect" against. Astori, who justified the tax increase on the grounds that "the economic context has changed", revised the GDP growth forecast for this year down to just 0.5% from 2.5% in the budget presented last July. The economy grew by 3.5% in 2014 and 1% in 2015. Astori predicted that it would recover to 1% in 2017 and 2% in 2018 (down from projections of 2.7% and 3% respectively in the last budget).

Astori also said there would be (unspecified) changes to the tax on economic activity (Irae) and that, as part of the "countercyclical measures", 10% of the proposed spending increases for 2017 would be delayed until 2018. He maintained that the cuts would not affect health, education or public security spending. Astori said there would be a reform to the military pension fund, Caja Militar, currently costing US\$400m a year. He also said that for every three public sector workers who retire or resign only two would be replaced until the end of the present term in 2019 as the government seeks to streamline the state.

In a bid to encourage more domestic consumption and reactivate the economy, Astori announced that value added tax (VAT) would be reduced by 2% for debit card purchases and other electronic payments to 18%. In doing so the treasury will forego an estimated US\$50m a year. In total Astori calculated that the government would raise US\$500m (US\$350m from the tax changes and US\$150m from spending cuts) with the objective of reducing the fiscal deficit to 2.5% of GDP by 2019.

The oft-divided moderate and radical wings of the ruling left-wing coalition Frente Amplio (FA) closed ranks behind the government as the political opposition accused Vázquez of "lying" during his 2014 electoral campaign. PC Senator Pedro Bordaberry said the government would face a crisis of credibility. "Will the minister [Astori] be believed now when he promises something after having so flagrantly broken his promise?" he asked rhetorically. PI Senator Pablo Mieres accused the government of "deceiving and defrauding the country": "They said not once but 100 times that there would be no tax increases". The country's main trade union, Plenario Intersindical de Trabajadores – Convención Nacional de Trabajadores (Pit-Cnt), was also unimpressed, promising strike action. The president of the Pit-Cnt, Fernando Pereira, said that the increase to the IRPF should not apply for any worker earning less than Ur\$90,000.

### Tax increases

Some 400,000 Uruguayans will pay more income tax (IRPF) under the proposed increases. The increases will be applied in three distinct stages, with the smallest increases for some 275,000 Uruguayans who earn between Ur\$30,000 and Ur\$60,000 per month; larger increases for the 100,000 who earn between Ur\$60,000 and Ur\$120,000; and the largest increases for the 32,000 who earn in excess of Ur\$120,000. The IRPF supplies 15% of Uruguay's total tax revenue, more than any other tax except value added tax (over 50%).

**Electoral tourism**

Commenting on the problem of electoral tourism, the head of Fepade, Santiago Nieto Castillo, said that this electoral crime accounted for 28% of all the complaints received by Fepade this year. Nieto added that “We have found that this is a recurring practice in the states of Yucatán, Quintana Roo, Veracruz, Oaxaca and Chiapas...that has intensified since 2007”. Bizarrely, in the latter, Nieto stated that there had been some cases in which “people from Central America are brought in and given an extemporaneous birth certificate so that they can be registered as Mexican citizens” in order to vote.

**Electoral process probed in five states**

With gubernatorial, state legislative and local elections in 14 of Mexico’s states less than two weeks away, the specialised electoral crimes unit (Fepade) at the federal attorney general’s office (PGR) has announced the launch of a major investigation into complaints about alleged electoral crimes. Fepade will investigate the electoral process in five of the 12 states holding gubernatorial elections. This evidences just how much of a concern the recurrent allegations about the violation of electoral law in the run-up to the elections have become, as well as the mounting pressure that the federal authorities are under to combat these.

The announcement of the operation was made by the head of Fepade, Santiago Nieto Castillo, during an interview with local daily *El Universal*, published on 23 May. Nieto said that since the start of the current electoral process, Fepade has opened 1,295 investigations into complaints about electoral crimes committed by various different parties taking part in the elections. According to Nieto, the alleged violations range from the conditioning of future federal and state social programmes by local authorities on votes for specific candidates, to other more crude forms of ‘vote buying’ and ‘electoral tourism’ – the transfer of party sympathisers from one district or state to vote in another (*see sidebar*).

Nieto then revealed that Fepade was particularly concerned about the situation in the states of Oaxaca, Puebla, Quintana Roo, Tamaulipas, and Veracruz. Nieto said that it had been decided that the formal complaints filed in these states would be given “priority attention” by Fepade, with a large (unspecified) number of investigators being deployed to these states from 2 June to handle these cases and any others that may arise in the last few days of the campaign. Four of these five states (Puebla, Oaxaca, Tamaulipas and Veracruz) are key electoral battlegrounds in which Mexico’s three main political parties – the nationally ruling Partido Revolucionario Institucional (PRI), the right-wing opposition Partido Acción Nacional (PAN), and the left-wing opposition Partido de la Revolución Democrática (PRD) – are engaged in a pitched political struggle for dominance.

Pointedly, the PAN and the PRD have forged electoral alliances in these four states to try to defeat the PRI. This has resulted in very close races between the PRI and opposition candidates. It is perhaps not surprising that the campaigning in these states has been marked by numerous allegations of violations of electoral law and that they have been identified as “priority” cases by Fepade. Nieto himself said that while Fepade did not view the five priority states as ‘red areas’ where the authorities were highly concerned about the possibility of electoral fraud, they had been singled out because the most recurrent complaints of electoral crimes were concentrated there.

Nieto recognised that Veracruz leads the way with 250 formal complaints of electoral crimes filed there, followed by Quintana Roo, Puebla and Oaxaca. Veracruz is the most populous state holding elections on 5 June and the opposition believes that it has a good chance of unseating the PRI from the governorship. Against this backdrop, the way in which Fepade handles the complaints in the five states, especially in Veracruz, will be closely scrutinised by the opposition, not least because it pushed the 2014 politico-electoral reform through the federal congress in a bid to stop the PRI from ever again using its position as the ruling party to influence the outcome of elections.

## Mexican wine wins international awards

On 19 May during the Spirits Selection Mexico 2016 edition of the alcoholic beverages fair organised by the Concours Mondial de Bruxelles international wine competition, the event organisers awarded 20 medals to Mexican wine producers, including the Gold Medal to the Casta Tinta Syrah 2013 wine produced in the state of Baja California. The Casta Tinta producers, Casta de Vinos, have now won 11 medals in international competitions, raising the profile of the wines produced in Baja California's Guadalupe valley region. Indeed, eight of the medals awarded went to Guadalupe Valley wineries, which can now compete with their more renowned South American counterparts, after 20 years of constant development.

**MEXICO | Record first quarter FDI.** Mexico broke its historical record for the highest foreign direct investment (FDI) figure registered in a first quarter, in January-March 2016, the economy ministry revealed in a press release on 23 May. Mexico received US\$7.896bn in FDI between January and March this year. This is 4.3% higher than that the FDI figure registered in the comparable period of 2015 (the previous record) and represents FDI inflows from 1,394 foreign companies.

Mexico's accumulated FDI in the past six years now stands at US\$109.7bn, 61.4% more than the US\$67.98bn accumulated in the preceding six-year period. The most significant FDI inflows came from the US (29.3%), Israel (25.5%), and Spain (12.8%). The manufacturing sector accounted for 67% of total FDI inflows in the first quarter; while financial services and retail received 17.6% and 6.2% respectively. Of the total FDI, 47.5% involved the reinvestment of profits, 38.9% involved new investments, and 13.6% transactions between affiliated companies.

**MEXICO | Trade mission.** On 16 May a diplomatic trade mission led by the head of Mexico's agriculture ministry (Sagarpa), José Calzada Roviroso, to the Arabian Peninsula signed a series of agreements aimed at bolstering trade between Mexico and the Persian Gulf states.

According to a Sagarpa statement, the agreements involve the exchange of information and the establishment of sanitary protocols to facilitate the import of Mexican foodstuffs to the Persian Gulf region. In particular, the Sagarpa statement said that the Gulf states expressed an interest in importing beef and chicken meat from Mexico but that this required the adoption of new sanitary protocols by interested exporters as well as training to ensure that these preserve Halal certification.

The agreements were signed in Dubai, United Arab Emirates, the regional shipping hub. The mission led by Calzada said that it would consider opening a new distribution centre in the port city for Mexican products. Calzada, who met Fahad Al Gergawi, the CEO of the Dubai Investment Development Agency, said that Mexico's current trade with the Arabian Peninsula is worth US\$46m but that Sagarpa's goal was for this to reach US\$1bn in the next decade. Calzada said this should be possible as the Arabian Peninsula countries are net food importers, importing approximately 80% of their foodstuffs, while Mexico is a large food exporter.

Besides beef and poultry meat exports, Calzada said that Mexican producers were also negotiating the possibility of exporting avocados, honey, bananas and berries to the country's Arab trading partners.

The Sagarpa statement concluded by announcing that a delegation of Arab business leaders had agreed to visit Mexico in October to study the possibility of concluding business deals.

**MEXICO | Tax agreement with Jamaica.** On 18 May Mexico's foreign minister, Claudia Ruiz Massieu, and her Jamaican counterpart, Kamina Johnson Smith, signed a new bilateral double taxation and tax evasion avoidance agreement. The signing of the agreement, which will prevent the double taxation of individuals and firms that operate in both countries, as well as tax evasion, should help to promote bilateral business ties and investments.

The deal was signed in Mexico City at the conclusion of the 17-18 May VIII Mexico-Jamaica Bi-national Commission. The meeting between the two ministers also resulted in the signing of a memorandum of understanding (MOU) establishing a Mexico Chair at the University of the West Indies (UWI) and renewed a collaboration agreement between the UWI and the Universidad Nacional Autónoma de México (Unam).

Jamaica is the second largest economy in the Caribbean Community (Caricom) and Mexico's third largest trading partner in the Caribbean region. Jamaica is also an important destination for Mexican investments. According to Mexico's foreign ministry (SRE), in May 2015 Mexican investment in Jamaica was estimated at more than US\$428m, while bilateral trade reached US\$130m in the same year.

**Morales tested over corruption**

President Jimmy Morales is facing one of the first major tests of his anti-corruption pledge since his small conservative Frente de Convergencia Nacional (FCN-Nación) government took office in January. Last week Prosecutor General María Eugenia Villagrán resigned after receiving death threats in relation to various corruption cases uncovered by the attorney general's office and the United Nations-backed International Commission against Impunity in Guatemala (Cicig). Chief of these is an investigation revealed last month into a 25-year contract awarded to the local branch of a Spanish company, Terminal de Contenedores Barcelona (TCB), to operate the container terminal at Puerto Quetzal (TCQ) in Escuintla department [WR-16-15]. A private meeting between Morales and representatives from the Danish-headquartered multinational logistics company Maersk, which last year acquired the contract in question, has raised some uncomfortable questions for the new President.

In the post since December 2014, Villagrán had been appointed by former President Otto Pérez Molina (who quit last year over alleged corruption), to replace Vladimir Aguilar (2013-2014), who resigned to become a supreme court (CSJ) magistrate. However, she announced on 17 May that she was resigning (effective as of 31 May) and would be seeking exile after receiving threats, "not directly...but through my close advisers". While the local media suggested that the final straw was a fresh corruption probe announced days earlier (see box), Villagrán's departure has been linked to the TCQ case, which continues to implicate high-level officials (*see sidebar*).

Worryingly for Morales – who in the wake of the announcement regarding the TCQ investigation said the government would cancel the contract in question – the local media cited Villagrán as saying that she had requested additional security from the government but this was not forthcoming. Villagrán also told reporters that Morales's meetings with Maersk representatives should have taken place in her presence and described it as "worrying" that she had not been informed. Morales admits that he met with the Maersk representatives but claims that the meetings were to "hear the position and intentions...on the part of the company to find a legal solution, a transparent solution and a solution in which the interests of the state of Guatemala are not damaged". The local press also cited Morales as denying that the meeting was to discuss the possibility of an extrajudicial agreement with the company regarding the contract in question.

Villagrán's resignation prompted concerns from local human-rights activists such as Manfredo Marroquín, of local NGO Acción Ciudadana (AC). Marroquín told reporters that while in itself, her departure will not affect existing investigations, it sends a worrying signal "that the state continues fragmenting...she is a lawyer for the state...[and] should not have to resign for situations like these".

**Another case**

The AC linked Villagrán's resignation to a complaint filed by the prosecutor general's office on 13 May against a leasing contract for the port of Puerto Barrios, Izabal department, between the state-controlled company Empresa Desarrolladora Ferrovías (Ferrovías) and local company Compañía Bananera Guatemalteca Independiente, S. A. (Cobigua) – known as Chiquita Guatemala S.A. since the end of 2015. Villagrán was cited by the local media as saying that Ferrovías was not authorised to hand over administration of the port to Cobigua.

**High-level officials implicated**

Supreme court (CSJ) magistrate Vladimir Aguilar resigned from his post on 13 May in order to face investigation for alleged influence trafficking in regard to the TCQ case. Another CSJ judge, Douglas René Charchal Ramos, was stripped of his immunity earlier this month to face investigation in relation to the same case.

## Opposition selects candidate to face Ortega

Earlier this month the *Coalición Nacional por la Democracia* – the opposition’s latest attempt to unite against President Daniel Ortega’s *Frente Sandinista de Liberación Nacional (FSLN)* – unveiled its presidential candidate ahead of the 6 November general elections. Its choice of Luis Roberto Callejas, a national deputy for the coalition’s biggest member, *Partido Liberal Independiente (PLI)*, stands little chance against Ortega, whose re-election bid is due to be officially launched next month and the political opposition is once again flagging up electoral transparency concerns ahead of the vote.

The *Coalición Nacional* comprises the *PLI* of Eduardo Montealegre; the dissident Sandinista party, *Movimiento Renovador Sandinista (MRS)*; and other small parties like the *Partido Social Cristiano (PSC)*. Callejas was the *Coalición Nacional*’s second choice, however, after businessman and radio personality Fabio Gadea, 84, who ran in the last general elections in 2011, turned down the offer. In a public letter dated 7 April, Gadea – who in the 2011 election took 31% of the vote to 62% for Ortega – attributed his decision to the fact that despite the multiple concerns flagged up by international observer missions sent by the Organization of American States (OAS) and the European Union (EU) in relation to the 2011 electoral process, there had been no significant changes in the supreme electoral council (CSE).

With the latest polls offering a bleak picture for the *PLI* (*see sidebar*), its announcement regarding Callejas came five days after CSE President Roberto Rivas officially called the vote. In his press conference, Rivas – who has been in the post since 2000, did little to assuage transparency concerns, omitting mention of any plans to invite international electoral observer missions. Instead, he pointed to the academic credentials of “electoral specialists” from several Latin American countries who would oversee the process. As well as prompting concern from the *Coalición Nacional*, this also provoked a response from the US whose ambassador, Laura Dogu, has repeatedly called for international observers to oversee the vote.

The *Coalición Nacional* has also cited other concerns regarding the CSE’s electoral calendar – namely that it omits mention of the publication of electoral rules, regulations, or manuals to direct the process. The *Coalición Nacional* went on to call for the “rules of the game” to be made public so that the CSE cannot release rules “arbitrarily”.

### CSE concerns persist

In its report on the 2011 elections, the EU electoral observer mission (EU EOM) raised serious concerns which have yet to be addressed centring on the CSE’s “lack of transparency and neutrality”.

In its report, the EU EOM notes that “while the CSE is composed along the principle of political representation, the loss of neutrality came about as a result of a progressive abandonment of pluralism in the appointment of its magistrates, who leaned ever more clearly towards the ruling party. This virtual one-party composition was reflected in the composition of the electoral administration’s representations at lower levels, in the regional, departmental and municipal electoral councils (CERs, CEDs and CEMs), as well as among the polling station staff, as in all of these opposition representatives were systematically excluded or sidelined.” Examples of this lack of neutrality include the CSE’s refusal to accredit observers from two established organisations, *Instituto para el Desarrollo y la Democracia (Ipade)* and *Hagamos Democracia*, in the 2011 elections as well as “a widespread and systematic use of public resources for campaign purposes”, which is prohibited under electoral law.

### Polls

The latest polls offer a bleak picture for the opposition: a survey by M&R Consultores, published in the investigative daily *Confidencial* on 13 May, gave the *Frente Sandinista de Liberación Nacional (FSLN)* 63.7% of voting intentions to just 5% for the *Partido Liberal Independiente (PLI)*, while 24% of respondents refused to say how they would vote.

## POSTSCRIPT

### Quotes of the week

“In one year from now I will no longer be here, the country can take a break from me and sincerely I must also take a break from the country. It is not easy to govern Ecuador.”

*Ecuador's President Rafael Correa.*

“It is true that the slowdown of our economy and the loss of confidence in politics brings uncertainties but this is not a reason for paralysis: if we don't make the changes together now, tensions and obstacles will mount and will frustrate our opportunity to progress.”

*Chile's President Michelle Bachelet.*

“What image of Peru does it project if the daughter of someone who is in prison for corruption is elected? The narcostate is coming towards us and we have to stop it.”

*Peruvian presidential candidate Pedro Pablo Kuczynski.*

### UN puts Honduran impunity rate at over 90%

Christof Heyns, the United Nations Special Rapporteur for extrajudicial executions, has met privately in Tegucigalpa with the Honduran commissioner for human rights, Roberto Herrera. While Heyns made no public statement on the meeting, Herrera, on behalf of his office, issued an unusually critical statement, suggesting frustration with the lack of justice in the country at a time when the government led by President Juan Orlando Hernández is under international pressure over the murder of the leading environmentalist and indigenous activist Berta Cáceres in early March.

President Hernández last year rebuffed loud public calls for the installation in the country of a UN-backed anti-impunity commission akin to the one in place in Guatemala, negotiating instead an observatory mission (without investigatory powers) backed by the Organization of American States (OAS). The so-called Mission Against Corruption and Impunity in Honduras (Maccih), empowered to examine the internal situation and recommend reform, began work in April, against a backdrop of a public outcry over the Cáceres murder.

In his statement, Herrera declared that the impunity rate in Honduras of “over 90%” was “overwhelming proof of the denial of the right to justice, which is often aggravated by the fact that people do not denounce [crimes], whether out of fear or for other reasons”. He expressed concern about “the poverty and exclusion facing thousands of families in Honduras today”, which, he said, was exacerbated by threats from organised crime, corruption and impunity.

Herrera said that last year his organisation had received 11,189 complaints of human-rights abuses, of which a 3,692 related to alleged violations of the right to life and personal integrity. He added that the poorest and most vulnerable sectors are the most severely affected by the daily violence in the country – averaging just over 13 homicides a day, on official figures – and asserted that Honduras had advanced very little in the fight against impunity, amid a “lack of objective and competent investigative processes”. He emphasised that impunity has also allowed for the growth of crime, and “this is a grave problem, which is not being properly examined”.

Herrera also referred to the situation in the country's overcrowded prisons, questioning why inmates themselves (often gang leaders) controlled discipline and even dictated prisoner movements between facilities in the country.

### 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.