

latin american weekly report

09 June 2016, WR-16-22

ISSN 0143-5280

CONTENTS

LEADER	1
Kuczynski wins Peru's most nail-biting election	
ANDEAN COUNTRIES	
VENEZUELA-REGION	4
Bolivarians turn to gold for salvation	
BRAZIL & SOUTHERN CONE	
BRAZIL	6
'The circus catches fire'	
CHILE	8
Bachelet fans further press freedom concerns	
MEXICO & NAFTA	
MEXICO	10
Reborn PAN rolls back PRI hegemony	
CENTRAL AMERICA & CARIBBEAN	
GUATEMALA	13
Congress faces corruption crackdown	
CUBA	14
Optimism as government legalises small businesses	
ST LUCIA	15
Opposition UWP back after five-year hiatus	
POSTSCRIPT	16
Argentine government strikes utility tariff deal with governors	
Quotes of the week	

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

Latin American Newsletters since 1967

Kuczynski wins Peru's most nail-biting election

Pedro Pablo Kuczynski will become Peru's 95th president on 28 July after defeating Keiko Fujimori by 50.1%-49.9% in the closest electoral contest in the country's history. Fewer than 40,000 votes separate Kuczynski from Fujimori out of some 17.1m ballots cast. Fujimori has refused to concede defeat until all of the vote is in but with the count standing at 99.9% Kuczynski should be proclaimed president by the weekend. Kuczynski inherits an economy which, while not firing on all cylinders, has been growing for 82 consecutive months. His challenge will be political. He will need to govern with a political aptitude not always apparent during his electoral campaign as Fujimori's populist right-wing Fuerza Popular (FP) will have a two-thirds majority in congress. On paper Kuczynski shares many policy positions with FP but he is beholden to leftist voters who won him the election and will face social protests if he forgets that fact.

Fujimori won in 14 of Peru's 25 electoral districts. She excelled in the north, winning convincingly in Piura and La Libertad, Peru's second- and third-largest regions, with 61% of the vote. Despite these defeats, Kuczynski tripled his support here compared to the first round, jumping from the low teens to a creditable 39% of the vote (*see table overleaf*), whereas Fujimori did not add too much additional support in the two regions having won them decisively in the first round. Kuczynski also won in the northernmost region of Loreto and only narrowly lost in Ancash.

The 11 electoral districts won by Kuczynski included Lima (where more than one-third of the electorate is concentrated), albeit by a very small margin, and emphatic wins in the three populous southern regions of Puno, Cusco and Arequipa. Kuczynski averaged 65.5% across these three regions. He also recorded massive wins in the smaller southern regions of Tacna and Moquegua. It is here where he really benefitted from the anti-Fujimori vote and the rallying call just a week before the second-round showdown made by the left-wing presidential candidate, Verónica Mendoza, who he edged out in April's first round.

Mendoza also won Kuczynski precious votes in the southern regions of Ayacucho, Huancavelica and Apurímac. Kuczynski narrowly lost in Ayacucho but he won in the other two regions despite averaging a paltry 7.7% of the vote across the three in the first round. This was thanks to Mendoza, who averaged just over 50% in the three regions in the first round. Kuczynski also won the fourth largest region of Cajamarca by a whisker. Cajamarca, which borders Ecuador, is the stronghold of the radical left-wing firebrand Gregorio Santos, the imprisoned former governor of the region. Kuczynski had taken just 11% of the vote here in the first round.

Mendoza was quick to remind Kuczynski of the debt he owes the Left for his victory. She rode to his rescue at the eleventh hour by getting out the leftist

Kenji
Fuerza Popular
deputy Luisa María
Cuculiza savaged
Kenji Fujimori's
decision not to vote
for his sister on 5
June. "I don't know
what his motive was
but for me it was
outrageous, a total
error. I would have
gone even if I were
confined to a
wheelchair," Cuculiza
said.

vote [WR-16-21] in the southern regions where she won comfortably in the first round, and poorer neighbourhoods in Lima, persuading undecided or uninspired voters to back him in order to prevent Peru returning to an authoritarian past under Fujimori. "We wanted to block the path to drug-trafficking and violence," Mendoza said. "This was not support for [Kuczynski's] political platform which differs enormously from what we want for the country".

Even with all of this borrowed support, however, it was a very close run thing, perhaps best exemplified by the result in the central region of Pasco where Kuczynski won by a mere three votes in 128,577 cast. Despite the appearance of geographical and political polarisation, and the closeness of the count, there were no violent clashes between rival supporters and both candidates awaited the announcement of the final result by the electoral authorities (Onpe) with remarkable calm. After initially stressing the need to be "vigilant so that they don't steal any votes from us," Kuczynski said he would wait until the bitter end before claiming victory (and Fujimori before acknowledging defeat).

The Onpe would customarily be in a position to declare the final result much earlier but because so little separated the two candidates it became necessary to wait for ballot boxes to be brought in to computing centres from remote jungle areas by foot and canoe. As Kuczynski's lead was steadily eroded, attention switched to the large expatriate vote (3.8% of the total electorate), which began to look decisive. When this came in it proved to be almost as close as the national vote. Kuczynski won by 50.7-49.3% out of 327,000 votes cast abroad (a difference of just under 5,000). Fujimori won by three percentage points in the US, which made up around 70% of the expatriate vote, but Kuczynski was the clear winner in Europe (58%-42%).

With Kuczynski's lead still (just) intact, the head of the Onpe, Mariano Cucho, announced that the vote from the main coca-producing region of the Apurímac, Ene and Mantaro rivers valley (Vraem), where Mendoza, crucially, won in the first round, had still not been counted. It seemed like a final confirmation of the pivotal role Mendoza played for Kuczynski in the run-off.

With her job done, Mendoza promptly announced that her leftist Frente Amplio (FA) party would provide opposition to the incoming Kuczynski administration in congress. The FA was never going to be a natural ally for Kuczynski, and lacks sufficient power anyway, having won only 20 seats in the 130-seat congress last April. Instead, he will need to work with Fujimori's FP, with which he has far more in common, especially economically. But this runs the risk of enraging the many leftist voters, and anti-Fujimoristas, who enabled Kuczynski to win, and he is likely to face social protests unless he meets some of their demands.

"We abhor dictatorship and love dialogue; we are going to talk to everyone," Kuczynski said, which is just as well as 'dialogue' is where he will clearly have to excel. Kuczynski's Peruanos por el Cambio (PPK) will have only 18 seats in congress. FP will have 73 seats. Unlike most of Peru's political parties, FP has tended to show considerable unity and cohesion. After a second straight narrow defeat for Fujimori, however, the party could succumb to some infighting.

The local media was swift to point out that Kenji Fujimori had not gone to the voting centre to vote for his sister. Kenji, who was elected with more votes than any other congressional deputy for the second straight time last April, has not commented on his decision, which appears to confirm how strained familial relations have become. After the first round Keiko said that "in 2021 there will be no candidate with the surname Fujimori," in an effort to assuage the concerns of voters fearful of a return of an authoritarian Fujimorismo dynasty, only to be openly contradicted by Kenji, who said that if she failed to win, he would stand in 2021.

Transition

Pedro Pablo Kuczynski's transition team will be comprised of his first and second vice-presidential running mates, Martín Vizcarra and Mercedes Araóz, his chief economic adviser (and future economy minister) Alfredo Thorne, Gino Costa, a former interior minister (2002-2003) and Fiorella Molinelli, his adviser on modernisation of the state.

New government

The uncertainty surrounding the final result means that there has been no discussion as yet about who might feature in Kuczynski's cabinet but this will be a tough balancing act. Naturally inclined towards technocrats, Kuczynski will know that while these would appeal to the private sector, which will support his government, too many of them could play badly to the Left which brought him victory. Having participated in both Acción Popular and Perú Posible governments, Kuczynski will not just appoint ministers from the ranks of PPK, but what is clear is that he will need to choose a prime minister capable of straddling Peru's political divide.

Presidential result by region in order of population size (%)					
<i>(figures in parenthesis denote first round performance)</i>					
	<i>Fujimori</i>	<i>Kuczynski</i>		<i>Fujimori</i>	<i>Kuczynski</i>
Lima	49.9 (40.5)	50.1 (29.9)	San Martín	55.8 (49.0)	44.2 (12.8)
Piura	61.0 (56.4)	39.0 (13.1)	Ica	52.8 (44.7)	47.2 (15.9)
La Libertad	61.0 (48.9)	39.0 (14.5)	Ayacucho	51.5 (31.6)	48.5 (6.9)
Cajamarca	49.9 (32.3)	50.1 (11.3)	Huancavelica	43.0 (26.6)	57.0 (10.4)
Puno	36.9 (22.7)	63.1 (8.8)	Ucayali	60.3 (52.8)	39.7 (15.3)
Junín	51.0 (41.2)	49.0 (23.2)	Apurímac	47.9 (31.2)	52.1 (5.7)
Cusco	34.2 (20.9)	65.8 (10.3)	Amazonas	52.5 (43.8)	47.5 (12.2)
Arequipa	32.4 (23.9)	67.6 (27.4)	Tacna	31.2 (21.0)	68.8 (15.7)
Lambayeque	58.8 (50.2)	41.2 (16.3)	Pasco	49.999 (35.3)	50.001 (26.1)
Ancash	51.1 (42.9)	48.9 (16.0)	Tumbes	70.6 (64.6)	29.4 (12.1)
Loreto	46.1 (36.1)	53.9 (27.5)	Moquegua	32.1 (24.3)	67.9 (28.0)
Callao	50.03 (40.4)	49.97 (28.1)	Madre de Dios	63.8 (44.4)	36.3 (9.5)
Huánuco	51.0 (39.5)	49.0 (14.4)			



Source: Own presentation of data from Peru's Oficina Nacional de Procesos Electorales (Onpe).

Bolivarians turn to gold for salvation

Resource nationalism has been at the centre of Latin America's radical left-wing Bolivarian Revolution, with Hugo Chávez in Venezuela, Rafael Correa in Ecuador and Evo Morales in Bolivia, as well as the Kirchners in Argentina, moving to expropriate vast hydrocarbons reserves at a time of historically unprecedented global price highs. Enormous ensuing revenue windfalls perpetuated the so-called 'people's revolution'. Having exhausted the oil windfall, left-wing leaders are now turning to the other great gift of 'Pachamama' to the region – precious metals – for political salvation. Ironically, this 'economic diversification' needs foreign support to get it out of the ground.

Chávez's successor, President Nicolás Maduro, announced on 7 June the creation of a dedicated new mining ministry (officially, 'the ministry of popular power for ecological mining development'), removing responsibility for the sector from the ministry of petroleum and mining. The state-run mining firms Minerven and the Venezuelan mining corporation, as well as the national geology institute, Instituto Nacional de Geología y Minería (Ingeomin), will come under the supervision of the new ministry, which will be headed up by Roberto Mirabal, who Maduro praised as "one of the greatest young Venezuelan experts in the scientific, ecological, humanist and sustainable development of the Orinoco mining belt".

Chávez (1999-2013), who renationalised the gold mining sector in 2011, had long pledged to resurrect the moribund industry, to little avail, not least because affected foreign companies including Russia's Rusoro and two Canadian companies, Gold Reserve and Crystallix, sued in international tribunals for the loss of their mining concessions (for the El Callao, Las Brisas and Las Cristinas mines respectively). But with oil prices tanking, and the government desperate for foreign exchange, Maduro has refocused attention on the mining sector – not withstanding the fact that much like oil, mining commodity prices too have come well off previous peaks as the decade long 'super-cycle' drew to a close in 2014.

In late February, Maduro promulgated a decree implementing a 'strategic mining zone' in the Orinoco region (Zona de Desarrollo Estratégico Nacional Arco Minero del Orinoco), declaring that the region could become an important 'non-oil alternative' for the country (*see sidebar*).

On 29 February in Beijing, Venezuela's planning minister, Ricardo Menéndez, met the president and the vice-president of China's national development and reform commission, Xu Shaoshi and Ning Jizhe, respectively, to discuss Chinese cooperation in sectors including pharmaceuticals, industry, petrochemicals, hydrocarbons and mining. Menéndez said direct Chinese participation in the Arco Minero was part of the "government's strategy for the country's economic reconstruction".

Simultaneously, the Maduro administration signed a memorandum of understanding (MOU) with Gold Reserve to end a seven-year expropriation dispute over the Las Brisas mine (in Bolívar state). Under a purported US\$5bn deal, Gold Reserve would invest/loan US\$2bn to revive Las Brisas, as well as the large adjacent Las Cristinas gold-copper project. It would take a 45% share in a new joint venture to that end, with the other 55% held by the Venezuelan government. According to a 29 February press release by Gold Reserve, once

'Arco Minero'

The 'Arco Minero' is a 111,000km² area in central Venezuela running from the border with Guyana in the east over to Colombia in the west. The Caracas government believes that the region contains high quantities of gold, coltan, diamonds, bauxite, iron ore and other minerals.

“What can we expect if [President] Maduro invites his friends [Ernesto] Samper, [José Luis Rodríguez] Zapatero, [Leonel] Fernández and [Martín] Torrijos to bake the cake. Smells more like stew to me.”

– A May tweet by Leopoldo Lopez’s father in response to the four former left-wing presidents (of Colombia, Spain, the Dominican Republic and Panama) invited on behalf of the Union of South American Nations (Unasur) to mediate in the Venezuelan crisis.

developed, the combined Brisas-Cristinas project “is anticipated to be the largest gold mine in South America, and one of the largest in the world”.

Less reported on at the time was the fact that in 2012, the Chávez government had in fact assigned the rights to develop Las Cristinas to China’s state-owned CITIC Group Corporation. It has not transpired publicly how Gold Reserve, the Venezuelan government and CITIC have resolved this. Neither is it clear as to how the financing will work. Meanwhile, in April the World Bank’s International Centre for the Settlement of Investment Disputes (Icsid) awarded Crystallex US\$1.386bn in damages for unfair and inequitable treatment and unlawful expropriation of its assets by the Venezuelan government. Crystallex thereby joins a queue of foreign operators awaiting payment from Venezuela for expropriations.

There is now some speculation in international mining journals that the creation of the new mining ministry may have been a condition of Gold Reserve as part of the ongoing negotiations to develop the Las Brisas/Cristinas project. Notably, what was announced in February was an MOU – not a final agreement.

Canadian mining companies have faced some criticism for ‘advising’ regional governments on policy in the past. In Honduras, for instance, local NGOs have accused Canadian mining companies and also the Canadian government itself (and/or its development agencies) of close ‘consultation’ on mining policy, including the drawing up of specific regulatory and tax frameworks favourable to the industry.

Zapatero leaves with MUD on his shoes

Venezuela’s high-profile opposition leader, Leopoldo López, who is serving a 14-year prison sentence for inciting violence in fatal anti-government protests in early 2014, sent packing Spain’s leftist former prime minister José Luis Rodríguez Zapatero (2004-2011), on the grounds that Zapatero had only been allowed to visit him to deliver a deal pre-approved by President Nicolás Maduro.

In a series of tweets following the two-hour meeting, López declared, “Of the many presidents who have tried to visit me in more than two years, President Zapatero has been the only one authorised by the government... Dialogue cannot be in order to gain time, because the people of Venezuela no longer have time... I expressed to him that no conversation or dialogue can be above the bigger interest: to achieve constitutional change in 2016!”

With that, the radical López appeared to join forces with his moderate colleague (and sometime rival) in the main Mesa de la Unidad Democrática (MUD) opposition coalition, Henrique Capriles Radonski, in stoutly rejecting the government’s efforts to avoid a presidential recall referendum this year, which, if successful, would oblige new elections in the country.

According to Spanish media reports, Zapatero had sought to get the MUD to abandon its push for a referendum in return for the release of political prisoners and a reform to expand the supreme court’s constitutional chamber from seven to 15 magistrates, with the opposition selecting seven and an eighth to be mutually agreed upon by the ruling Partido Socialista Unido de Venezuela (PSUV) and the MUD. The national assembly, majority controlled by the MUD, has the power to enact this reform, but faces the likelihood of it being scratched by the executive, with the backing of the same supreme court constitutional chamber.

Meanwhile, as we went to press the national electoral council (CNE) was expected to announce – after over a month – that the MUD had submitted sufficient valid signatures in support of its initial referendum petition. This amounts to a victory for the MUD, which again reiterated that it would not engage in futile dialogue with a government that was only time-wasting. The MUD, it appears, is determined not to give a millimetre. Together, López and Capriles may yet make formidable allies.

'The circus catches fire'

Throughout Brazil's political and economic crisis, the country's many social media obsessives have rarely passed up the opportunity for a joke. So on Wednesday, 8 June, the Internet lit up with various memes circulating about Newton Ishii, the so-called 'Japanese from the Fed', a federal police officer of Japanese descent pictured in many of the arrests of high-profile suspects in 'Operation Car Wash', the investigation into corruption involving the state-run oil giant Petrobras. Songs were written in his honour and over 25,000 masks of his face were sold during Carnival, so the news that the man himself – a symbol of the fight against corruption – had been arrested on smuggling charges moved many Brazilians to new levels of hollow amusement.

Jail orders

Ishii's arrest marked another week of turmoil, in which the attorney general requested the preventative detention of a former president of the republic, the suspended speaker of the federal lower chamber, the current president of the federal senate and a serving senator.

As noted by Elio Gaspari, one of Brazil's most respected political commentators, "the circus has caught fire". Every stage of Brazil's descent into its current mess has defied expectations. "Since 2014, when the operation started, the national oligarchy nurtured the belief that it would be blocked by powerful interests. They were wrong on all counts. [...] The unthinkable happened and will continue to happen because powerful forces have become impotent," Gaspari said.

A day earlier, the newspaper *O Globo* reported that Rodrigo Janot, the attorney general, had requested the arrest of Renan Calheiros, the president of the federal senate; Romero Jucá, the former planning minister; José Sarney, a former president (1985-1990); and Eduardo Cunha, the suspended speaker of the federal lower chamber (*see box below*), for conspiring to block the corruption investigation. Janot's request was based on the secretly recorded tapes of Sérgio Machado, the former CEO of a Petrobras subsidiary.

Out of deference to Sarney's 86 years, Janot suggested that the man who oversaw Brazil's transition from military rule to democracy be tagged rather than jailed. All of the men are from the Partido do Movimento Democrático Brasileiro (PMDB), the ideologically flexible party that now controls the presidency through Michel Temer.

Supreme court

Teori Zavascki, a supreme court judge, must now decide on the admissibility of Janot's request. Early indications suggest that he may be reluctant to take such a radical step; if he chooses, however, he could take the cases to the full plenary of the court to decide.

If the court does decide to jail the accused, the senate would then have a vote on the decision; if the senate votes against the court, it would create an unprecedented constitutional crisis for Brazil. The jailing of Calheiros would also mean that Tião Viana, from the left-wing Partido dos Trabalhadores (PT), would become the senate president, with potentially significant consequences for the impeachment trial of suspended president Dilma Rousseff.

Goldfajn approved

By 56 votes in favour to 13 against, the federal senate approved the appointment of Ilan Goldfajn as central bank president. The real strengthened on the move, rising to its highest level against the US dollar for almost a year, at R\$3.3691. In the outgoing meeting of Alexandre Tombini, the current president, the bank's monetary policy committee (Copom) agreed to keep interest rates at 14.25%.

Rousseff accused

Zwi Skornicki, the Brazilian representative of Keppel Fels, a shipyard, said in a sworn statement to 'Operation Car Wash' prosecutors that João Vaccari Neto, the former treasurer of the Partido dos Trabalhadores (PT) had requested R\$15.2m (US\$4.2m) in off-the-books funding for Dilma Rousseff's 2014 campaign. If confirmed, the news could add to the pressure on Brazil's electoral court to invalidate the elections, stripping Michel Temer of the presidency. If that happens this year, there would have to be new elections.

Politicians respond

Predictably, the men accused reacted with outrage. Calheiros described the request as "disproportionate and abusive"; Sarney said that he was "perplexed indignant and disgusted". Notably, the Partido da Social Democracia Brasileira (PSDB), the PMDB's main ally in the interim government, expressed unease at the development claiming that the tapes did not show definitive proof of a willingness to hamper the 'Operation Car Wash' investigation. Even the leader of the PT in the senate, Paulo Rocha, talked of the need to be cautious. "There's no clarity about where this is going to end up," Rocha said.

Meanwhile, Gilmar Mendes, the supreme court judge considered closest to the new administration, spoke of his great irritation that the detention requests had been leaked to the media. "It is necessary to be very careful with this and those responsible should be called to account," he said. "You don't play with this kind of thing. [...] Whoever is doing this is committing a crime."

Dilma

Unfortunately for Rousseff, the president of the supreme court, Ricardo Lewandowski, has ruled that the Machado tapes cannot be presented in her defence during the impeachment trial. José Eduardo Cardozo, the former justice minister and solicitor-general in her government, wanted to use them to show that there was a conspiracy to oust Rousseff not due to the ostensible "crime of responsibility" of breaking Brazil's budget law, but to stop 'Operation Car Wash'. Instead, the defence will now have to show that Rousseff did not break the law; something which will be hard to prove since there is strong evidence that she did.

According to the constitution, hiding a budget deficit without government approval is a crime of fiscal responsibility. Another line of Rousseff's defence is that both former presidents Fernando Henrique Cardoso (1995-2003) and Lula da Silva (2003-2011) did the same thing. This is also true, but while Cardoso ended his term with R\$950m (US\$282m at the current exchange rate) hidden in government banks, and Lula ended his with R\$8.4bn, Rousseff hid R\$59bn from congress. While the motivations of those pushing impeachment are clearly suspect, Rousseff's defence is weak.

Of course, impeachment will be largely a political, rather than a legal, decision. As such, Rousseff still only needs to win over a handful of senators to survive, and already a number are wavering. The senate impeachment commission started taking evidence from its first witness – for the prosecution – on 8 June. The trial is now expected to come to a conclusion in early August, but it may run into the Olympic Games, which are due to begin on 5 August.

Opinion poll

Temer's interim administration has got off to a shaky start, with two cabinet ministers forced out in the first few weeks. However, the first opinion poll on his government's performance, carried out by CNT/MDA and published on 8 June, was not too bad for the interim president. Admittedly, only 11.3% thought his government was doing well, while 30.2% said it was doing 'OK'. But 33.8% had a positive view of Temer's performance so far as president, while 40.4% disapproved.

Interestingly, 62.4% of Brazilians believe that ousting Rousseff was the right thing to do, and well over two-thirds think that she will not return to office. Over 54% of Brazilians said they noticed no significant difference between his government and that of his predecessor.

There is still a large amount of ignorance as to what the impeachment process is about: over 44.1% of respondents said that the reason for removing the president was due to corruption in the federal government; only 33.2% mentioned accounting practices.

Díaz

In an interview with national daily *El Mercurio*, published on 29 May, Sergio Moya, the lead prosecutor on the so-called 'Caval case', suggested that the estate agent Juan Díaz "knew or suspected" that he was being recorded when he made the statements implicating President Bachelet, based on "various analyses of the wiretaps". Moya clarified that the wiretap had been in his file since January and that Díaz had not referred to the topics discussed on the recording in his original declaration to police.

Brazilian democracy will come out stronger after the impeachment proceedings are over, according to 45.6% of the respondents, while 34.4% believe it will be harmed. Bringing the 2018 elections forward to this year is viewed as a good idea by 50.3% of Brazilians; 46.1% disagree. The poll surveyed 2,002 people in 137 municipalities in 25 states between 2 and 5 June.

Judgement day for Cunha delayed again

In proceedings that have now been going on for over six months – the longest of any congressional ethics committee – a vote on whether to strip Eduardo Cunha of his parliamentary mandate as speaker of the federal lower chamber of congress, was postponed again on 7 June. This time, however, it was not Cunha or his allies engaged in the manoeuvring. José Carlos Araújo, the committee president, pushed back the vote until 14 June after a key member failed to turn up.

In circumstances that remain unclear, but appear to be the result of party pressure, Tia Enron, from the Partido Republicano Brasileiro (PRB), avoided the sitting on 7 June. She is the only member of the committee whose vote has not yet been determined, but both sides hope to win her support.

Those in favour of punishing Cunha believe that Enron sat out the session under pressure from her party leaders at the PRB who fear the wrath of the suspended speaker's many powerful allies. Her alternate, who would have voted in her stead had Araújo not decided to delay proceedings, is a known Cunha supporter.

CHILE | POLITICS

Bachelet fans further press freedom concerns

Less than a month after a mixed congressional commission threw out a piece of legislation widely condemned as a 'ley mordaza', or 'gag law' [WR-16-15], President Michelle Bachelet is facing further accusations of seeking to muzzle the media following her decision to file a defamation lawsuit against the magazine *Qué Pasa*. The move follows the publication of a wiretap transcript linking her with the so-called 'Caval case' – a corruption case which first made headlines in February 2015 and implicates Bachelet's son Sebastián Dávalos and daughter-in-law Natalia Compagnon Soto [WR-15-08].

On 9 May the congressional commission rejected the so-called 'gag law' which, introduced by President Bachelet as part of a number of related bills known as the short anti-crime agenda ('agenda corta antidelincuencia'), proposed limiting media coverage of leaks and investigations. National daily *La Tercera* cited deputies Guillermo Ceroni and Leonardo Soto from the ruling Nueva Mayoría coalition's Partido por la Democracia (PPD) and Partido Socialista (PS) as saying that the initiative was "far from the objective of the other reforms" which were aimed at strengthening public security and its application could have "negative consequences for press freedom".

Concerns that the Nueva Mayoría government was seeking to silence media coverage of wrongdoing again emerged last week when Bachelet, through her personal lawyer, filed a lawsuit as a citizen against *Qué Pasa* after it published a transcript of statements on 26 May from someone believed to be a real estate agent called Juan Díaz. The statements, which reportedly mentioned Bachelet, were made during a telephone conversation intercepted at the request of a prosecutor in the 'Caval' case.

Shortly after publishing the transcript, *Qué Pasa* acknowledged that the recording's authenticity had not been verified. It added that the article had been edited, "fragments where serious allegations were made against third parties" had been removed and apologised to those implicated in its articles

Popularity

The latest monthly survey by pollster Adimark, published on 31 May, showed that in May President Bachelet's approval had dropped five percentage points to 24% – her lowest ever since taking office for a second term in March 2014, while her disapproval rating reached 72%. With the full impact of Bachelet's decision to file the lawsuit against *Qué Pasa* yet to emerge, the pollster attributes the decline to various factors – the problems afflicting the Chiloé fishermen caused by the 'red tide' algal bloom event, and restive students [WR-16-20], as well as the constitutional court ruling against the government's labour reform [WR-16-18].

and its readers. However, Bachelet filed the complaint saying that her reputation had been sullied.

Bachelet's decision led the magazine to issue a critical statement, accusing the president of "trying to encroach on freedom of expression". The statement argued that "the media has a special mission" of subjecting authorities to "scrutiny and oversight" and that the lawsuit merited a strong reaction to "defend [Chile's] threatened freedom of expression".

While Sergio Moya, the Caval lead prosecutor, has since suggested that Díaz "knew or suspected" that he was being recorded when he made the inflammatory statements (*see sidebar*), Bachelet's decision to file the suit prompted strong condemnation from local and international press associations and human-rights groups alike. On 1 June local media groups Asociación Nacional de la Prensa and Colegio de Periodistas de Chile came out against the move, while the following day the Inter American Press Association (IAPA) issued a press statement describing it as "an intent to intimidate and an abuse of power".

Claudio Paolillo, chairman of the IAPA's Committee on Freedom of the Press and Information, declared, "Without a doubt this lawsuit has the intent to intimidate, as it seeks the imprisonment of journalists, an action that reminds us of punishments in Chile that were brought against journalists in undemocratic times and which have been rejected by international jurisprudence for being methods inhibiting press freedom when government officials are involved in matters of public interest." Further adding to these concerns, also on 2 June, Lorena Fries, the director of the human rights institute Instituto Nacional de Derechos Humanos (INDH), an official body, condemned the lawsuit as "an error".

Political parties suffer credibility crisis

With the credibility of Chile's political parties at rock bottom in the wake of the corruption scandals which have broken over the last year or so, such as the Caval case and those involving local mining firm Sociedad Química y Minera SA (SQM) and the Penta financial group, the departure of various high-profile politicians from their respective parties has dealt a further blow to the political establishment.

On 31 May Deputy José Antonio Kast, of the Unión Demócrata Independiente (UDI) (which, along with the Renovación Nacional [RN], is one of the main partners in the opposition coalition, Chile Vamos), announced his resignation from the UDI. A national deputy since 2002 who previously served as UDI general secretary (2012-2014), Kast said that he was leaving after 20 years. Criticising the current party directorate, he told the press that "I have realised that my place is not here, that I have lost a sense of belonging to the UDI".

The departure of Kast, who has since said he will be an independent, follows that of René Saffirio, a deputy for the Nueva Mayoría's Partido Demócrata Cristiano (PDC), who left the party on 24 May reportedly over differences with the party directorate and PPD deputy and party founder Pepe Auth who formally quit on 2 May after 28 years. Auth also criticised the board of directors, accusing Senator Guido Girardi of excessive power.

The PPD then suffered further problems on 15 May after the local press cited the findings of a report by the investigative police (PDI)'s economic crimes unit which alleges that in 2011 the party received campaign finance from SQM via a non profit organisation (NPO), Corporación Chile Ambiente. Those named included political heavyweights, Santiago mayor Carolina Tohá (then PPD president), Girardi and Sergio Bitar, who has previously served as minister of mining (1973); education (2003-2006) and public works (2008-2010).

Reborn PAN rolls back PRI hegemony

The word 'historic' is frequently abused when it comes to elections but its use was entirely justified in relation to Mexico's gubernatorial contests on 5 June. Never before has the federally ruling Partido Revolucionario Institucional (PRI) been reduced to controlling fewer than half of the country's 32 federal entities. It now holds just 15 after losing six of the nine state governorships it was defending, including three that have never been governed by another party. Never before had the right-wing Partido Acción Nacional (PAN) won three governorships in one single day. It won seven, four under its own steam and three in coalition with the left-wing Partido de la Revolución Democrática (PRD). While the PRI sinks into introspection, the results vault the PAN into contention for the presidency in 2018, although the onus is now on the PAN to govern well or it will be punished itself by an increasingly volatile electorate.

Gubernatorial elections were held in 12 states in total, with state legislative and municipal elections also held here and in Baja California, as well as elections to fill 60 of the 100 seats in the constituent assembly to draft a constitution for the new Ciudad de México (CDMX), the renamed and newly empowered Distrito Federal (DF). The provisional electoral count (PREP) was barely underway before candidates from all the main political parties declared victory. The PRI president, Manlio Fabio Beltrones, promptly claimed nine gubernatorial triumphs, but as the count progressed it became apparent that this was way off the mark. Not only are the days of the 'carro completo' (a clean sweep in the PRI lexicon) a distant memory but the PRI also suffered a series of unprecedented reverses, eclipsed only in magnitude by its loss of the presidency to the PAN in 2000.

The PRI lost four states which have never been out of the party's hands in nearly 90 years: Veracruz, Tamaulipas, Durango and Quintana Roo. Veracruz, the third most populous state in Mexico, was the jewel in the crown but here two-thirds of the electorate opted for a candidate other than the PRI. Miguel Ángel Yunes won the governorship for a PAN-PRD coalition with 34% of the vote, defeating his cousin, the PRI candidate, Héctor Yunes, on 30.5%, with Cuitláhuac García Jiménez, of the radical left-wing Movimiento Regeneración Nacional (Morena), led by Andrés Manuel López Obrador, just behind on 26%. The PRI also lost control of the Veracruz state legislature winning just six seats with its allies, while the PAN-PRD secured 15 and Morena eight.

The new composition of the state congress means that Yunes will be able to pursue his promise to investigate the incumbent governor, Javier Duarte de Ochoa, who he has accused of ties to organised crime and of misappropriating more than M\$50bn (US\$2.8bn) of federal resources. Yunes says he will end "a corrupt and oppressive" PRI system in the state; subject all state police officers to polygraph tests; and create a truth commission to search for missing people.

In a vindication of the decision by the PAN and PRD to resurrect the 'Stop the PRI' alliances of 2010, the PAN-PRD also won the PRI fiefdoms of Durango and Quintana Roo. How the two parties cooperate together going forward, however, will be critical as the PRI's main solace on 5 June came from its victories in Sinaloa and Oaxaca, state governorships which had been in the hands of PAN-PRD coalitions since 2010. The PRI also managed to retain Hidalgo, Zacatecas and Tlaxcala.

PAN spreading out

With the addition of the state governorships of Tamaulipas, Veracruz and Quintana Roo, the PAN (with the PRD) will now hold most of the east coast of Mexico from Texas to Belize. The party has definitively branched out from its central strongholds of Puebla, Querétaro and Guanajuato and north-western bastions of Baja California and Baja California del Sur.

Independent setback

There was to be no repeat on 5 June of the shock victory of Jaime Rodríguez Calderón, 'El Bronco', the independent candidate who won the state governorship of Nuevo León last year. Indeed, only nine independent candidates, all men, won elected posts out of 1,819 up for grabs. The most important was the mayoralty of the border town of Ciudad Juárez, in the northern state of Chihuahua, with some 1.3m inhabitants, captured by Armando Cabada, a local news presenter. Independents also won the mayoralties of Mazatecocho and Santa Cruz in the state of Tlaxcala; Jaumave and Llera in Tamaulipas; Cosío in Aguascalientes; Tlanalapa in Hidalgo; Putla in Oaxaca; and Hidalgo del Parral in Chihuahua.

The PAN is back with a bang though because in addition to the three state governorships secured in alliance with the PRD, it also won four states single-handedly. In addition to retaining the south-central state of Puebla emphatically, it also (narrowly) won the central state of Aguascalientes and (decisively) the northern states of Chihuahua and Tamaulipas from the PRI. The PAN will have a majority in the Chihuahua and Tamaulipas state legislatures, with incoming governors promising to file corruption charges against the incumbent PRI governors César Horacio Duarte Jáquez and Egidio Torre Cantú respectively.

The PAN also won the mayoralties of the eponymous state capitals of Aguascalientes and Chihuahua. While it fell just short of taking Ciudad Victoria, the state capital of Tamaulipas from the PRI, it won half of the state's 43 mayoralties, including Nuevo Laredo, the largest city in the state, Reynosa, Mier, Miguel Alemán and San Fernando. The icing on the cake for the PAN came in Baja California (BC) where the PAN governor, Francisco Vega, will continue to enjoy a majority in the state legislature after the party won 12 of the 17 seats. The PAN also regained the mayoralty of Tijuana, the largest city in BC, lost to the PRI in 2010.

The PAN's youngest-ever president, Ricardo Anaya, deserves a lot of the credit for the results. He took over the leadership of the party last August in the wake of its disappointing performance in the elections to the federal lower chamber of congress and various gubernatorial and municipal elections two months earlier. It is a big feather in his cap and he has staked his claim to be the party's presidential candidacy in 2018 (albeit Margarita Zavala, the wife of former president Felipe Calderón [2006-2012] and the outgoing governor of Puebla, Rafael Moreno Valle Rosas, also have strong claims). "In the party's whole history we have never won three governorships in one single day and on Sunday we won seven. We have never governed 11 states simultaneously," Anaya said. The PAN will govern over more than 40m people, a third of the population.

Anaya attributed the successful results to a combination of factors: "rejection of the PRI at a local and federal level...but we ran good campaigns with efficient candidates". He paid tribute to grassroots campaigners and also thanked the PRD president, Agustín Basave, for forging three key alliances in "very difficult circumstances". But Anaya is aware of the importance of delivering results in the states the PAN has won, announcing the creation of a special commission to liaise with the incoming governors, or the party will suffer the same fate as the PRI in forthcoming elections. He also highlighted the three state elections being held in 2017, in Coahuila, Nayarit and the Estado de Mexico (Edomex), as a major stepping stone en route to the presidency.

As for the PRD, where the party stood alone it lost. But the alliance with the PAN had three major successes, albeit the PRD's own candidate was elected only in Quintana Roo, and the outcome in the CDMX constituent assembly elections could have been much worse. Although Morena won 22 of the 60 seats available in the elections to 19 for the PRD, the latter will be the largest party in the assembly. This is because a further 40 representatives are selected not elected. The PRD head of the CDMX, Miguel Ángel Mancera, gets to choose six and the party will pick up four more by virtue of its representation in the federal senate and lower chamber. A likely alliance with two left-wing allies brings up a grand total of 31 of the 100 seats. The PRI, despite only winning five seats in the elections, will also be better represented than Morena, as President Enrique Peña Nieto gets to fill six seats and the PRI will get 10 more because of its strong position in the federal congress. With allied

parties picking up nine seats, the PRI will effectively have 30 seats. The PAN will have 14: seven elected, seven selected.

The CDMX result typified Morena's performance on 5 June: lots of promise but no power. Morena did not win the state governorship López Obrador craved to underpin his presidential bid, but it came outright second in Zacatecas, for instance, pushing the PRI quite close, and a very creditable third in Veracruz. By winning a solid 23% of the vote in Oaxaca, mainly at the expense of the PRD (the PAN-PRD alliance won just 25%) it allowed the PRI to win the state governorship. It is the PRD not Morena which now has a dilemma. Should it try and stick with the PAN in 2018 or throw in its lot with Morena behind López Obrador, which would be anathema for some factions? López Obrador is adamant that he is not interested. "Our alliance is with the people," he said this week, insisting that Morena would run alone.

What lies behind PRI defeats?

The setbacks for the PRI were in part a punishment vote for the party in government at federal and state level, and in part owed to the perception that the federal government is out of touch with common Mexicans, setting lofty goals and objectives but failing to attend to their basic human rights concerns amid the country's drug-related violence.

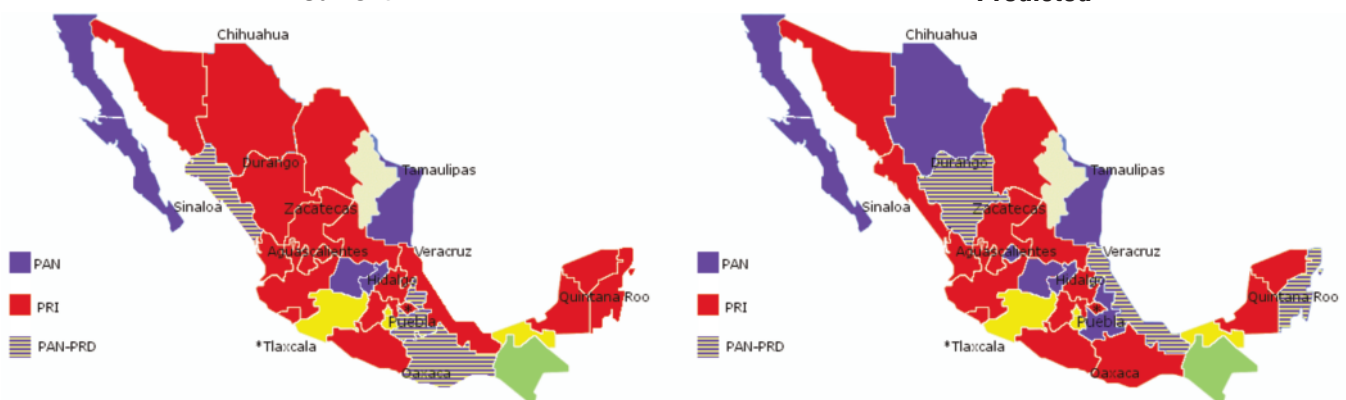
However, the incoming PAN governor in Aguascalientes, Martín Orozco, had a different explanation for the PRI's humbling defeats. Orozco said President Peña Nieto's decision, on 17 May, to present two bills to the federal congress promoting equality, which will require a constitutional reform allowing same-sex marriage, was a strategic mistake that helped tip the balance in his favour against his PRI rival. The bishop of Aguascalientes, José María de la Torre, notably compared homosexuality to an illness.

Peña Nieto argued in an article in the US online news publication *The Huffington Post* on 2 June, that it was his "duty to ensure that the personal beliefs and customs of some do not limit the human rights of others", promising to work with civil society groups "to identify any and all laws that go against equality and propose the necessary changes to improve them". As a sign of his government's intent, Peña Nieto announced that Mexico would join the United Nations lesbian, gay, bisexual, transgender and intersex (LGBTI) Core Group of 19 countries.

In striving to improve Mexico's image abroad, Peña Nieto might have contributed to the PRI's defeat at home. If, as the PRD president Agustín Basave alleged somewhat wildly, Peña Nieto was seeking to drive a wedge between the liberal PRD and the conservative PAN over an issue where they are sharply divided, it appears to have backfired badly. Since mid May 1,000 religious organisations, united in the Frente Nacional por la Familia (FNF), have been canvassing for signatures in rejection of the bills. One day before the elections, 2,000 churches and 50 leaders of evangelical associations, defended the sanctity of heterosexual marriage. Francisco Labastida, a former PRI presidential candidate in 2000, claimed that the issue could damage the party's prospects in 2018.

Current

Predicted



Campaign finance

The July 2015 report by the United Nations (UN)-backed anti-impunity commission in Guatemala (Cicig) also found that in the last elections the Partido Patriota (PP) exceeded the legal campaign spending limit by Q\$101m (US\$13m); the main opposition Libertad Democrática Renovada (Líder) by Q\$68m (US\$9m); and Unidad Nacional de la Esperanza (UNE) – whose presidential candidate, former First Lady Sandra Torres, was defeated by Morales in the second-round run-off – by Q\$56m (US\$7m). Cicig also cites local watchdog Acción Ciudadana, which put these figures at Q\$189m; Q\$114m; and Q\$84m respectively.

Congress faces corruption crackdown

The United Nations (UN)-backed anti impunity commission in Guatemala (Cicig) and attorney general's office (AG) last week claimed another major breakthrough in efforts to crack down on official corruption. In what was a major blow to the 158-member unicameral legislature – one of the country's least trusted institutions – the AG and Cicig requested legal action on 26 May against seven legislators and arrested three former deputies for alleged corruption. A week later, Cicig and the AG unveiled the findings of an investigation which further laid bare the extent of official corruption that took place under the previous Partido Patriota (PP) government led by disgraced former president Otto Pérez Molina (2012-2015), who was forced to step down last year over allegations that he headed up a corruption ring in the national tax authority (SAT).

According to Cicig and the AG, the legislators past and present are accused of corruption relating to “excessive and unnecessary hiring of staff”, and the contracting of individuals to fill “fictitious congressional posts” in 2014 and 2015. The three former deputies arrested were: José Luis Mijangos Contreras (of the now defunct Frente Republicano Guatemalteco, FRG); Alfredo Augusto Rabbé Tejada (Libertad Democrática Renovada, Líder); and Edgar Romeo Cristiani Calderón (PP). The seven current deputies named were: Luis Armando Rabbé Tejada (Alianza Ciudadana); Selvin Boanerges García Velásquez (Creo); Aristides Crespo Villegas and Manuel Marcelino García Chutá, both from Movimiento Reformador (MR); and Julio César López Villatoro, César Emilio Fajardo Morales and Carlos Enrique López Girón, all from the Unidad Nacional de la Esperanza (UNE). So far García Velásquez, López Villatoro and Fajardo have resigned their seats.

Cracking down on official corruption was the campaign pledge of President Jimmy Morales, who took office in January. The legislature had already attracted attention at the end of January when congress president Mario Taracena (UNE) cancelled 54 contracts awarded late last year to congressional employees. At the time Taracena said the move would save the institution some Q\$500,000 (US\$65,000) a month [WR-16-08]. His announcement came 10 days after congress published information listing the names, positions, and wages of its over 1,000 employees – a list which caused outrage not just given the amounts in question but also the number of people employed – 1,887 employees – with reports of posts going to relatives or associates of legislators.

Most recently indicative of the problem in the legislature, on 31 May the comptroller general's office (CGC) presented the findings of its audit of the 2015 government budget. The CGC's report, which audited 528 institutions, found that some Q\$2.69bn (US\$352m) had been mismanaged in public funds – including Q\$72.6m (US\$9.5m) spent by the national legislature.

FCN-Nación

In a further test of the country's institutions, eight legislators of the ruling FCN-Nación are facing the prospect of losing their immunity following accusations of discrimination, abuse of authority, extortion, and influence trafficking presented by the AG. The case relates to a meeting that the deputies held last month with the indigenous governor of Alta Verapaz department, Estela Ventura.

New procurator-general

On 30 May President Jimmy Morales named Anabella Morfín as Guatemala's new procurator general. Morfín replaces María Eugenia Villagrán who quit on 17 May citing death threats [WR-16-20]. These were linked to various government corruption cases currently under investigation – particularly that involving a 25-year contract awarded to the local branch of Spanish company Terminal de Contenedores Barcelona (TCB) to operate the container terminal at Puerto Quetzal (TCQ) in Escuintla department. A former labour minister under the government led by former president Ramiro de León Carpio (1993-1996), Morfín founded the centre for the defence of the constitution (Cedecon), a civil-society organisation, in 1992.

Ventura accuses the legislators of attempting to get her to award contracts to companies with which they had ties, claiming that when she refused they insulted her, reportedly calling her a “stupid Indian”. On 30 May Guatemala's constitutional court (CC) rejected an appeal presented by the deputies against the legal complaint filed against them.

A macro-criminal structure

On 2 June the AG, Cicig and the Interior Ministry announced that 25 individuals had been arrested with seven international orders for arrest issued and a further 14 individuals under investigation, in relation to a “macro-criminal structure that had co-opted power” that was allegedly headed up by former president Pérez Molina and his vice president Roxana Baldetti (2012-2015), who was also forced to resign last year.

Both now face fresh accusations of illicit association, passive bribery, illegal association, money laundering, and other acts of illicit enrichment – specifically in relation to an illegal campaign finance scandal.

The investigation is looking at 450 cases of illicit contracts, involving bankers, officials, and business representatives as well as individuals who served as front men to hide the source of funds – amounting to “at least Q\$500m (US\$65m)”.

It is worth recalling that the concerns regarding the use of campaign finance follow a Cicig report released in July 2015 which found that, according to data submitted by the electoral authorities (TE), in the 2011 general elections over Q\$300m (US\$39m) of campaign financing was unaccounted for (see sidebar).

This is the third set of allegations to be levelled against Pérez Molina following the case revealed in April which concerned the award of a 25-year contract to the local branch of Spanish company Terminal de Contenedores Barcelona (TCB) to operate the container terminal at Puerto Quetzal (TCQ) in Escuintla department [WR-16-15].

Meanwhile, Baldetti, who is also implicated in the TCQ case, is accused of corruption in relation to a project to clean up Lake Amatitlán for which an Israeli company, M. Tarcic Engineering, received a Q\$137.8m (US\$18m) contract [WR-15-16].

CUBA | ECONOMY

Optimism as government legalises small businesses

The sense of disappointment on the ground in Cuba following the rather dour and uneventful seventh Communist Party congress in mid-April has given way to some optimism following publication of a new 32-page document on economic development plans which, among other things, legalises the thousands of small and medium-sized business that have sprung up in recent years, many of them serving the thriving tourism market in places like the capital Havana.

While President Raúl Castro and the Communist Party leadership gave no indication at the April congress of political reform any time soon, he did complain rather strongly about the lack of progress in implementing the economic policy reforms he had announced at the previous congress, in 2010, which opened the way for self-employment in designated categories (now numbering around 200). These self-employed individuals are known as ‘cuenta propistas’.

While the labour ministry now reports just over 500,000 registered ‘cuenta propistas’, on some estimates up to a third of the 5m-strong Cuban workforce is now employed in the private sector, including many thousands of people working for these ‘cuenta propistas’ who effectively are operating micro, small and even medium-sized businesses. These include anything from car mechanic shops, barber shops, hair dressers and in-home nail salons, to restaurants, bars and bed & breakfasts and hostels.

Japanese coming

Cuba's efforts to access international finance, including recent debt deals with the likes of the Paris Club, also indicate its ambition to diversify economic relations. Japan's main trading houses are the latest foreign players to arrive in Havana. Mitsubishi Corp opened an office in June, and is currently looking at potential business deals, according to a Bloomberg report, which added that Mitsui & Co aims to follow in September, with an eye on the nickel export market, and Marubeni Corp is also planning a local office on expectations that the eventual removal of the US economic embargo will create huge demand for cars and industrial machinery on the island.

"The economy continues to be the key unresolved task," Castro declared in his opening address to the congress on 16 April, railing against bureaucratic inertia and admitting that the nascent private sector still faced cumbersome difficulties. To that end, he announced that 4,000 private entrepreneurs (mainly former state workers who came together into new cooperatives) would be given access to State wholesale suppliers. However, given the half a million-plus registered private entrepreneurs, this left most of the nascent private sector still without access to wholesale supplies (which has created a thriving black market in goods brought over from Miami).

Noting that "private property in certain means of production contributes to employment, economic efficiency and well-being, in a context in which socialist property relationships predominate", the latest document said that individuals could now create "private businesses of medium, small and micro size" that would be given official recognition as legal entities.

The reform, which in effect formalises the thousands of small business start-ups operating on the island, requires approval by the national assembly in July to become law and some of the detail remains unclear. For example, as yet Cuban small business owners are unsure whether the law will also permit them to import wholesale supplies or export goods – i.e. trade independently with the outside world. Tax regulations – still evolving – may also shift again. However, it is expected that the new regulations will allow private-sector players to open proper business bank accounts, and also to do business with state-owned companies.

Analysts suggest that this latest move is borne of pragmatism and also necessity. For example, an expanding private sector could help soak up excess labour as the government looks for continued cuts to the bloated public sector, thereby reducing the risk of social tensions.

It is also the case that Cuba's economic 'updating', as Castro dubs his tentative reforms, has become more urgent amidst a severe economic crisis in its main ally and principal fuel supplier Venezuela; the continuing impact of weak global commodity prices on key exports like nickel, and also the political shift in Latin America from Left to centre-right, with the moral and financial support of other key allies like Brazil, is no longer guaranteed.

ST LUCIA | POLITICS

Opposition UWP back after five-year hiatus

The United Workers Party (UWP) returned to power on 6 June after one term in opposition when it won St Lucia's tenth elections since independence in 1979. The UWP, led by Allen Chastanet, defeated the St Lucia Labour Party (SLP) under Prime Minister Dr Kenny Anthony. The UWP won 11 seats in parliament to six for the SLP, reversing the results of the previous general elections in 2011.

Anthony, who also served as Prime Minister for two terms between 1997 and 2006, got off to a bad start after being re-elected in 2011 by ruling out the customary day of public holiday to celebrate the results and promising that "the days ahead will be hard, it will be difficult". Anthony introduced a deeply unpopular sales tax and was damaged by a scandal surrounding 12 police killings, which prompted the US to cut off aid. Chastanet won on a ticket promising to cut taxes and unemployment, and to resolve the police scandal. He said there would be a significant position for Stephenson King, the UWP Prime Minister from 2006 to 2011 who he defeated in a leadership battle in 2013.

Quotes of the week

“I think that after accusing us of being drug-traffickers, pickpockets and Montesinistas, it will be very difficult for us to embrace them. I think someone transformed PPK, injected poison into his veins.”

Peruvian deputy Lourdes Alcorta of the Fujimorista Fuerza Popular (FP) on providing congressional cooperation with the incoming president, Pedro Pablo Kuczynski.

“Let nobody be under any illusions, Mexico comes first, then the party, and much further down the list each of our personal projects, however legitimate they might be.”

The president of Mexico's PAN, Ricardo Anaya, downplays his presidential ambitions after the party's resounding electoral successes on 5 June.

“I reaffirmed the importance of freeing all political prisoners, but that before my freedom was that of the whole of Venezuela.”

Venezuelan opposition figurehead Leopoldo López after meeting Spain's former prime minister José Luis Rodríguez Zapatero.

POSTSCRIPT

Argentine government strikes utility tariff deal with governors

Argentina's federal government has made official its decision to introduce modifications to its recently announced utility tariff increases. On 2 June it set a cap of 400% in natural gas tariff increases for residential users and 500% for businesses, small and medium-sized enterprises (SMEs) and hotels. The agreement was made after a series of meetings between provincial governors, Interior Minister Rogelio Figerio and Energy & Mining Minister Juan José Aranguren.

In terms of electricity, there will be no official caps but the agreement provides for an increase in the free allowance from 150 kilowatt-hours (kWh) to 300 kWh for homes in provinces not connected to the gas-fuelled backbone network (Chaco, Corrientes, Formosa, and Misiones). The agreement also provides relief for electricity-intensive firms, which will be offered a 20% discount in a bid to maintain production and jobs.

The caps will be applied retroactively to April, when the tariff increases were first introduced, with consumers who have already paid their bills to receive credit during the next payment cycle. Aranguren said that the newly agreed measures would provide “peace of mind to the population and bring about the conditions necessary to restore Argentina's energy supply”. The government also emphasised that the “federal social tariff” programme will remain in place to help needy consumers. Currently, this programme benefits 1.5m natural gas consumers and 3.3m electricity users.

The concession over the tariff increase is an attempt by the federal government led by President Mauricio Macri to ease the growing social discontent with the increases. It is also designed to put the government in a better legal position to counter the lawsuits against the increases presented in the local courts by various provincial and municipal governments, as well as community organisations and firms, which argue that the average 300% increases are “excessive” and constitute market abuse.

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, or for further information please contact Maria Isotalo via our online form at: 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 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.