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'No' vote shatters illusions of peace in Colombia

Colombia faces a period of acute political and economic uncertainty after a wafer-thin majority of voters rejected the peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc) on 2 October. The initial reaction of President Juan Manuel Santos and the Farc's maximum leader, 'Timochenko' (Rodrigo Londoño Echeverri), was encouraging for the prospects of peace – both committed to upholding the current bilateral ceasefire – but when the hard reality of discussing where this leaves peace talks kicks in this equanimity will be difficult to preserve. The onus is now on former president Alvaro Uribe (2002-2010), the leader of the right-wing opposition Centro Democrático (CD) who ran an emotive 'no' campaign, to rise to the occasion with a 'Plan B' that is not anathema to the guerrilla group. Uribe's response has been statesmanlike in terms of rhetoric and action – he met Santos face-to-face for the first time in five years – but a gulf separates him and the Farc.

It is a tribute to the strength of Colombia's democratic institutions that the vote on such an important issue was counted so swiftly, and the result accepted, given that 'no' triumphed by just 55,737 votes in some 13m cast (50.2%-49.8%). A sombre-faced President Santos, surrounded by equally lugubrious figures from the government's negotiating team in Cuba, accepted the verdict of the public expressed at the polls in a televised address as soon as the rapid count was completed, but he refused to give up on peace. He was thrown a lifeline by now-senator Uribe, who insisted in a measured speech that he was also committed to peace – but not on the terms of the accord. Meanwhile, Francisco Santos, the President's Uribista cousin, also reached out to the head of state, arguing that "there is no need to start from scratch because many elements [of the peace accord] are good".

Referendums are notoriously difficult to predict and opinion polls had been volatile, but ahead of the vote they all predicted a solid win for the 'yes' camp. President Santos, however, was alerted to the danger of relying on the combined weight of the support of the bulk of the political class and international community to carry the day after voters in the United Kingdom elected to leave the European Union on 23 June.

A 'no' vote might have been cast for a range of reasons. The emotional appeals of the popular Uribe always made him a formidable adversary. He attacked the aspects of the accord where the Farc stood to gain the most through preferential treatment for senior guerrilla leaders, avoiding prison sentences and being able to compete in politics (two areas where polls consistently showed a very high level of public rejection). Uribe also turned the vote into a plebiscite on Santos, or 'plebisantos', encouraging people to express their discontent with the government, part of which, ironically, is that Santos is perceived to have devoted all of his attention to pursuing peace with the Farc to the detriment of other crucial issues, such as the stuttering economy. Given this, and concomitant spending cuts, the funding of the

peace accord was a cause for concern. This was especially true in urban areas unaffected by the armed conflict with the Farc, whose inhabitants, already hit by rising inflation and unemployment, feared a tax increase. Indeed, it had been heavily rumoured that Santos was holding off a harsh tax reform until after the vote, in part to fund the peace accord.

In this context, the Farc announcement, just 24 hours before the vote, that it would provide an inventory of its financial resources (as soon as the disarmament phase was due to begin) in order to provide compensation for victims might have won over many more voters if it had not come so late in the day. The Farc had previously said it lacked the financial means to contribute to post-conflict reconstruction, damaging its credibility. The Farc also destroyed more than 600 kilos of explosives, verified by the United Nations (UN), the day before the referendum. Again, this gesture, while it would not have dissolved widespread distrust and dislike of the Farc, might have done more to persuade the public of the sincerity of the guerrilla group's intentions if it had been carried out earlier.

Widespread distrust and dislike of Santos, who enjoys just 20% support, was another factor, especially in coffee-growing regions of Colombia and among agricultural producers who have staged protests against the government. Referendums for unpopular leaders are especially challenging and unpredictable. Notwithstanding all of this, 'yes' was still expected to prevail.

Demographic split

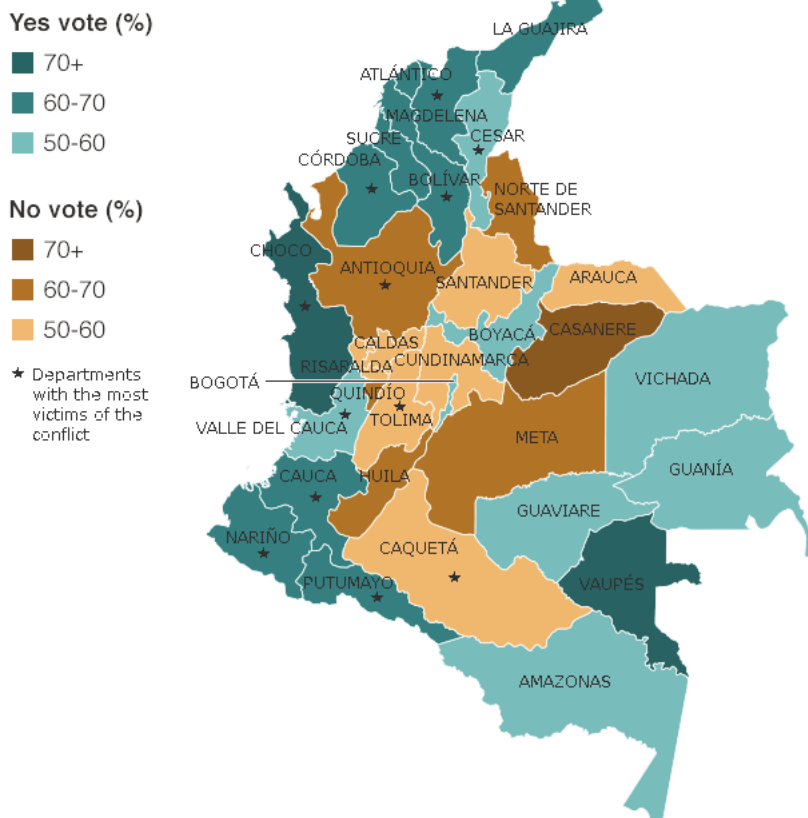
Colombia's geographical divisions are axiomatic, and at first blush a breakdown of the vote by department underscored these: the coastal regions and the vast majority of the border departments and rural municipalities most affected by the armed conflict with the Farc voted 'yes', in many cases emphatically. Most of the interior of the country, and urban areas least affected by the war, voted 'no' (with the exception of Bogotá where 56%, 1.42m, backed 'yes'). Crucially around 70% of Colombians live in cities.

The 'yes' vote received 80% support in the north-western department of Chocó, which has been at the sharp end of the conflict, and also won in

Nariño and Putumayo on the Ecuadorean border, where the Farc influence is very strong. The rural town of Bojayá, Chocó, where 79 civilians were killed after the Farc placed a bomb in a church where they had sought refuge from fighting between guerrillas and paramilitaries in May 2002, saw 96% vote 'yes' (1,966 votes). In Toribío, in the south-western department of Cauca, 'yes' won with 85% of the vote (6,535 votes). The adjacent department of Valle del Cauca voted 'yes' by 52.4% to 47.6%. Municipalities most affected by the conflict here – Buenaventura, Pradera and Florida – voted 'yes'. All of the municipalities in the war-torn north-eastern Catatumbo region voted 'yes'. The department of Caquetá as a whole voted 'no' but the heavily Farc-influenced municipality of San Vicente del Caguán voted 'yes' by 63% to 37%.

In Medellín, Colombia's second city, capital of the northern department of Antioquia and a bastion of support for Uribe, 'no' took 63%, 160,000 more votes than 'yes'. The eastern department of Casanare voted 'no' decisively (71%); farmers and landowners here have been the victims of Farc extortion and fear the proposed land reform in the

How Colombia's provinces voted



Source: National Civil Registry / BBC / El Pais

Uribe

Alvaro Uribe's detractors have argued that his main reason for opposing the peace was not principled but a personal vendetta against President Santos as he wanted to be the one to seal the peace. Whether or not there is any truth in this, it is clear that if Uribe salvages the peace process now he could trump Santos, who did all the hard graft, enhancing his own legacy and paving the way for a presidential candidate representing his Centro Democrático party triumphing in 2018.

peace accord. The Eje Cafetero coffee-producing region, comprising Caldas, Quindío and Risaralda departments, all voted 'no'. These too are areas where Uribe enjoys staunch support.

This all shows that while a map delineating the vote by department is instructive, and trends can be discerned (*see map*) it is not purely a case of polarisation between rural and urban areas, or the geographical interior and periphery. Crucially, with turnout just 37.4%, the majority of Colombians did not vote at all. This suggests that the majority need persuading that there will be a brighter future after peace with the Farc.

Going forward

While accepting defeat graciously, Santos promised to "continue searching for peace until the last day of my mandate". Uribe responded with a conciliatory speech, calling for "a great national pact" for peace. Speaking in congress the day after the referendum, Uribe made three proposals: rank-and-file Farc guerrillas not accused of serious crimes should be granted an amnesty (by extension, but left unstated, accused senior Farc leaders should not); measures should be put in place to protect the Farc; and judicial protection provided for members of the armed forces accused of abuses linked to the conflict.

Santos acknowledged the necessity of trying to strike some consensus with Uribe, who is now calling the shots. Santos promptly met three senior representatives of the CD (the party's 2014 presidential candidate, Óscar Iván Zuluaga, Carlos Holmes Trujillo and Senator Iván Duque) in the presidential palace, and agreed to establish a working table to discuss possible revisions of the peace accord. The government will be represented by Foreign Minister María Angela Holguín, Defence Minister Luis Carlos Villegas, and the head of its negotiating team in Cuba, Humberto de la Calle.

"With the desire for peace on all sides, we will be able to reach a satisfactory solution soon...[and] the country will be the better for it and the process strengthened," Santos said optimistically, while stressing that "we cannot prolong this process and dialogue". After a long-awaited meeting with Uribe on 5 October, Santos maintained that "many of his concerns are points that require clarification or details". But Uribe, who attended the meeting along with conservative leaders who supported 'no', such as former presidential candidate Marta Lucía Ramírez and former prosecutor general Alejandro Ordóñez, made it clear that the points he wants to revise are precisely the areas that the Farc considers 'non-negotiable': prison sentences for Farc leaders guilty of serious abuses and blocking these offenders from taking up congressional seats. Uribe also opposes the Farc's cherished expansion of the Zonas de Reserva Campesina (ZRCs; 'peasant reserve zones') through the expropriation of private land.

After four hours of talks with Santos, Uribe emerged declaring that "peace for all Colombians is better than a weak accord for half of the electorate", adding that while voters had "rejected the accords [they] reaffirmed the unanimous desire for peace". Former president Andrés Pastrana (1998-2002), who met Santos earlier on the same day, was similarly upbeat after "a very productive talk". Pastrana argued that "contrary to what is thought today the country is uniting". Like Uribe he maintained that 99% of the country was behind peace. Pastrana said that the peace accord provided an "important foundation" and some "good things that must be rescued and others implemented". He also urged the activation of the 'concentration zones' where guerrillas would be gathered during demobilisation to reassure the Farc that "we are advancing with this process".

Without the enactment of the peace accord, it is highly unlikely that the Farc will view Pastrana's proposition as reassuring, not least because in a bid to force the issue and pressure the 'no' camp into swift negotiations, Santos said that the extension of the ceasefire he had announced in the wake of the referendum result would only run until 31 October. "And from then onwards the war continues?" Timochenko tweeted in response. Villegas sought to

Economic repercussions

The most immediate impact of the political reverse suffered by President Santos on 2 October could, paradoxically, be felt by the economy.

Businesses that were delaying investment, waiting for the referendum to be held, are likely to put off these decisions for longer now with the ensuing political uncertainty.

International rating agencies could react by downgrading

Colombia's investment grade rating if there is no tax reform before the end of the year. The government was planning to send a tax reform proposal to congress after the vote but advancing this will be

problematic after the political damage it has sustained, with real costs.

downplay the issue by pointing out that Santos could extend the ceasefire "as many times as necessary", but the Farc is clearly uneasy about the uncertainty.

As soon as the result of the referendum was announced Timochenko stressed that the Farc would "only use the word as a weapon of construction towards the future". The Farc's chief negotiator in Cuba, 'Iván Márquez' (Luciano Marín Arango), also expressed the group's commitment to the peace process after large marches for peace were staged in Bogotá, Medellín, Cali and 11 other cities in Colombia in favour of peace on 5 October.

But reaching a compromise will be fraught with difficulty. Aside from key differences between the Farc and Uribe over points in the accord, the two drew completely contrary conclusions from the referendum result. The Farc said it reflected a political problem in Colombia and "a fractured society" but that the accord had "an undeniable and irrevocable juridical effect"; Uribe said that it was a rejection of the lenient terms of the accord and a proposed transitional justice which subverts institutional justice.

The big problem for the Farc is that it has limited leverage. For all Uribe's criticism of Santos he did not allow the Farc to regroup militarily during the four years of negotiations in Cuba and it is weak. The terms of any revised accord cannot and will not be as generous.

The one possible scenario that might satisfy both the Farc and Uribe is the convening of a constituent assembly, which they both favour but Santos has previously rejected. In a statement after the referendum setback, the Farc said that a "large and democratic" constituent assembly, including representatives of the country's second largest guerrilla group Ejército de Liberación Nacional (ELN), was the best way to proceed. Even if agreement on this were agreed, however, it would take months to set up, leaving Colombia in what Santos conceded was "a dangerous and risky limbo".

ANDEAN COUNTRIES

VENEZUELA | POLITICS

Debate rages over the next VP

Seeing as a presidential recall referendum appears highly unlikely to happen this year, there is a growing focus on the vice-president, who would take over at the helm in the event of a successful recall next year.

In the event of a recall before January 2017, snap presidential elections are triggered. Beyond that date, the vice-president steps in and sees out the rest of the term to elections in late 2018 and a handover to a new administration in January 2019. The state governor of Carabobo, Francisco Ameliach of the ruling Partido Socialista Unido de Venezuela (PSUV), has 'suggested' in his talk show *Hablando de Poder*, broadcast on the state channel *Radio Nacional de Venezuela*, that if the opposition Mesa de la Unidad Democrática (MUD) continues to persist with its demand for a recall referendum, then President Nicolás Maduro may appoint Diosdado Cabello, number two in the PSUV, as his vice-president, potentially as soon as November (rather than in the traditional New Year's reshuffle). "In other words, if they vote for a recall in 2017, effectively they could be voting for Diosdado as president of the republic," Ameliach noted.

It is unclear whether this was based on some privileged inside information or where it was mere scare-mongering by Ameliach. Certainly, from the point of view of the MUD, the outspoken Cabello might be an even worse presidential option than Maduro for the country, given his highly aggressive and hard-line stance towards all dissenting forces. Indeed, such is his pugilistic reputation that the late president Hugo Chávez (1999-2013) appeared to sideline his formerly close sidekick Cabello for a few years in the late 2000s, before rehabilitating him ahead of the 2012 elections when the Bolivarian

Inflation

The daily *El Nacional*, quoting a central bank source, reports that inflation was 21.6% month-on-month in September, with a suggested annual rate of 705.8%. In the lengthy absence of official inflation data, it is impossible to verify this figure, however it tallies with that of local private economists. The International Monetary Fund (IMF) now expects average annual inflation of 475.8% this year, rising to 1,660% next year. The IMF has reduced its forecast GDP result to -10% this year and -4.5% next year, following an estimated 6.2% decline in 2015.

Revolution had started to run into early trouble and Chávez himself was already ill with cancer. He later became president of the national assembly, a position he also wielded aggressively.

As the number two in the PSUV (Maduro is party president), Cabello controls the party with an iron fist, right down to the local bases, and also has strong ties to the state security apparatus. Cabello has long been accused – but never charged or convicted – of rampant corruption and links to drug trafficking interests, including the alleged ‘Cartel de los Soles’, said to be a powerful military drug ring that operates in cahoots with left-wing Colombian guerrilla and drug groups. There have also long been rumours that as Maduro’s (purported) main rival, Cabello has been waiting patiently in the wings, always two steps ahead, for his day to arrive. In public, Cabello has been nothing but 100% loyal to Chávez’s anointed heir and continues to act as one of the Maduro government’s main ‘attack dogs’ – a role he appears to relish.

The current vice-president, Aristóbulo Istúriz, appointed in January 2015, was initially seen as a conciliatory figure and someone who might forge links between the executive and the opposition-controlled national assembly; and potentially even negotiate an orderly transition ahead of the 2018 election. That has not really panned out and Istúriz appears to have been sidelined inside the cabinet. There is an expectation that he will be removed in the New Year’s reshuffle.

Ameliach also blasted the MUD, alleging that the multi-party coalition is in “a critical state”. He advanced the theory that the various parties in the umbrella coalition, including the traditional Acción Democrática, the Zulia-based Un Nuevo Tiempo, the radical Voluntad Popular (led by the imprisoned Leopoldo López), and the moderate Primero Justicia (led by the twice former presidential candidate Henrique Capriles Radonski) are not actually bothered about a referendum at all, suggesting that their current actions are really motivated by internal jockeying and political positioning ahead of the 2018 elections. He appeared to intimate that the MUD – forged in 2011-2012 as an electoral platform to take on the might of Chavismo – might even re-splinter into its constituent parts before 2018. He said the MUD’s sole capacity at the moment was to organise marches, accusing it of failing the country at the helm of the national legislature.

Cabello raises prospect of homicide charges against López

Diosdado Cabello, on 5 October, said that the families of the 43 victims that lost their lives in anti-government protests in early 2014 wanted to introduce a charge of homicide against Leopoldo López, who is already serving a 14-year prison sentence for his alleged role in instigating the protests. In late September 2015, López was charged with public instigation, arson, damage to public property and criminal association, charges his lawyers say were trumped up.

“The families of the victims have introduced, or are about to introduce, a demand before the courts, so that he [López] is accused of homicide for the 43 deaths”, Cabello declared on his weekly TV show, without elaborating.

Despite intensive international pressure, the Maduro government appears very determined to keep the Harvard-educated López behind bars. Polls suggest that the charismatic and telegenic López, formerly a highly popular mayor of the Caracas municipality of Chacao (2000-2008), would pose a serious threat to the PSUV out of jail. As a presidential candidate, for instance, some polls suggest he might now do better than Capriles Radonski in his two presidential bids (against Chávez and Maduro). And while some moderate voters, and in particular those on the Left, previously found his radical stance unpalatable, in current circumstances his fierce oratory and political rallying power might have greater national appeal.

Within the MUD, López’s radicalism has also chafed against the likes of Capriles, and the two are said to have had their differences over the direction of the MUD on more than one occasion. Despite his solitary confinement in a military prison López tweets on an almost daily basis, in recent days urging Venezuelans to take to the streets daily in defence of a recall referendum this year. A homicide conviction would put López behind bars for many years (and might be less open to reversal by a future government).

Opposition candidates

The political opposition is divided ahead of next February's presidential elections. The most prominent candidates are Guillermo Lasso, the former banker who came second in the 2013 presidential elections, who is running for the right-of-centre Movimiento Creo, and Cynthia Viteri, a deputy in the national assembly for the conservative Partido Social Cristiano (PSC). Lasso will be competing for much the same votes as Viteri, who is running for the PSC and Madera de Guerrero (MG), the party created by the mayor of Guayaquil, Jaime Nebot. Viteri is aiming to become Ecuador's first elected female head of state (Rosalía Arteaga was interim president for just two days in 1996).

Ruling AP selects presidential candidate

Lenín Moreno will run for president for the ruling Alianza País (AP) in general elections on 19 February next year. Moreno, who served as vice-president between 2007 and 2013 before becoming United Nations Special Envoy on Disability and Accessibility, got the nod during a party convention in Quito on 1 October. With opinion surveys suggesting Moreno is the early frontrunner, the AP decided he was the best bet to succeed President Rafael Correa. Incumbent vice-president Jorge Glas will be Moreno's running mate.

Moreno, 63, is the author of several books on humour, which he says has been fundamental in allowing him to deal with his demons since he was shot in the back in 1998 when gunmen stole his car, an attack which left him paralysed from the waist down and requiring the use of a wheelchair. Affable and conciliatory, Moreno is widely considered to be the polar opposite of the abrasive and combative President Correa. While Correa has been able to command respect by the force of his personality, Moreno will rely on the strength of his character. He made a point during his acceptance speech of the need to deepen unity within the AP and to listen to all its constituent factions; Correa ostracised dissident groups, such as Ruptura de los 25, which left the AP in 2011 in protest at a referendum on constitutional and judicial reforms which, it argued, betrayed the principles of the 'Citizens' Revolution'.

Moreno will seek to be more inclusive, although he also defended the achievements of the 'Citizens' Revolution', especially in terms of improvements to social welfare and the emphasis on science & technology and innovation, such as the Yachay City of Knowledge in Imbabura province. He also praised the Correa administration's overhaul of the energy matrix to reduce Ecuador's dependence on oil, the necessity of which has been underscored by the economic contraction in the country as a result of sustained low oil prices. While it is true that Correa has overseen the construction of several hydroelectric power stations on his watch, he has also overseen an unprecedented expansion of extractive activities, not only through the abandonment of a central commitment of his government's campaign to leave oil reserves in the Yasuní biosphere reserve untapped but also through foreign investment in mining ventures.

Moreno promised to provide a pension that would provide a dignified life for all, and better education for the young. But if Moreno becomes Correa's successor he will have to operate under tight fiscal constraints with oil prices showing no sign of an imminent recovery. In his one tacit criticism of the Correa administration, Moreno said it would be necessary to "refresh our international relations a bit", singling out the US as having "a lot to imitate", such as "talented and innovative businesses... [and] a high level of consumer purchasing power". He also stressed that it was "exceptionally important" to complete a trade deal with the European Union (EU).

Moreno said that Ecuador could be "friends with everyone", which suggests that if he were to win election he might move Ecuador to the periphery of the radical left-wing bloc Alianza Bolivariana para los Pueblos de Nuestra América (Alba). One relationship which will remain strong, however, is with China, a major source of credit for Ecuador for public investment. President Correa met China's foreign minister, Wang Yi, in Quito on 3 October to discuss the consolidation of the bilateral strategic association, according to a statement released by Ecuador's foreign ministry, focusing on energy, hydropower and infrastructure. Wang also held talks with his Ecuadorean peer Guillaume Long, who celebrated the first visit by a Chinese foreign minister to Ecuador.

Temer keeps low-profile

Unlike leaders of the PT, former presidents Rousseff and Lula, who were actively campaigning in Porto Alegre and São Bernardo respectively on the day of the election, the PMDB's leader kept a low-profile. President Temer cast his vote earlier than scheduled to dodge protests and pointedly distanced himself from the PMDB's campaign, saying he preferred to focus his attention on putting Brazil's economy back on track rather than supporting any candidate in particular. Disapproval ratings of the Temer government have risen to 55%, according to a recent survey commissioned by the national industry confederation (CNI), so any campaigning he might have done would probably have been more damaging for his party than helpful.

PT and PMDB suffer electoral setbacks

Two of Brazil's major parties, the Partido dos Trabalhadores (PT) and the ruling Partido do Movimento Democrático Brasileiro (PMDB) failed to appeal to voters in the country's biggest cities, Rio de Janeiro and São Paulo, in municipal elections on 2 October, in which less traditional candidates excelled. The trend for political fragmentation could also be seen in the rest of the country, signalling political uncertainty in post-impeachment Brazil.

About a third of voters abstained or spoilt their ballots in the municipal elections in Brazil's two most populous cities, pointing to widespread disenchantment with mainstream politics. Against the backdrop of Brazil's political problems, including a sprawling corruption scheme unearthed in the 'Operation Car Wash' investigation into the state-owned oil firm Petrobras, which has tainted the reputations of hundreds of politicians from all major parties, "the immense number of abstentions and spoilt ballots demonstrates the urgent need for political reform," President Michel Temer conceded.

PT decimated in first round

The PT was the biggest loser in the first round of this year's municipal elections, securing half as many positions for mayor or city councillor as it managed in 2012 (*see chart*). Only one PT mayoral candidate, Marcus Alexandre, was elected in the remote north-western state of Acre.

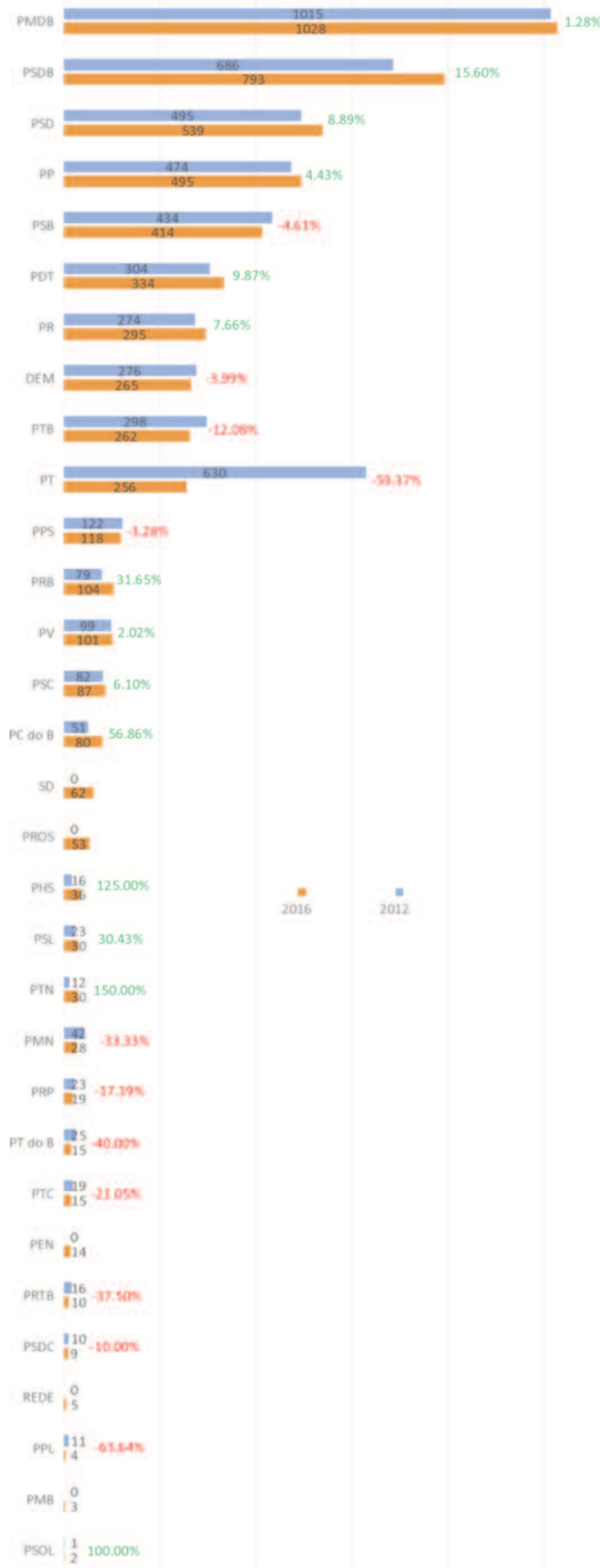
The PT's plummeting popularity can be attributed to the wave of anti-PT protests which culminated in the impeachment of Dilma Rousseff (2009-2016), and questionable fiscal policies carried out under the same administration which led Brazil into its worst recession since the 1930s.

Former president Lula da Silva (2003-2011) was gracious in the face of his party's defeat, saying "Democracy is like that, you win some, you lose some". However, he also acknowledged that the party needed to reinvent itself ahead of the 2018 presidential elections and to have a "new face" under Rui Falcão's leadership.

Perhaps the PT's most embarrassing defeat took place in former PT stronghold São Bernardo do Campo (São Paulo state), otherwise known as the 'red belt' (in reference to the colour of the PT's flag), where Lula first rose to power by defending workers' rights on behalf of the Sindicato dos Metalúrgicos metalworkers' union. Lula's representative for the PT, Tarcisio Secoli, got 22% of the vote and was knocked out in the first round. The centre-left Partido Popular Socialista (PPS) candidate Alex Manente won 45% of the vote, just shy of the 50% needed to win in the first round, and will run against the centre-right Partido da Social Democracia Brasileira (PSDB) candidate Orlando Morando in the second round.

The PT also lost ground in the impoverished North-Eastern region, a traditional bastion of support. Of the nine PT candidates who ran for election in state capitals, five received less than 10% of the vote. But the party has not been completely wiped out in the North-East and the remaining four candidates have secured enough votes to make it through to the run-offs, which are scheduled for the 30 October. They are standing for election in Aracaju, the capital of the state of Sergipe; Fortaleza, the capital of Ceará; Recife, the capital of Pernambuco; and São Luis, the capital of Maranhão.

2016 Elections



Source: Own presentation of election data

PSDB claims São Paulo

The PSDB gave a strong performance in the first round and 46% of eligible PSDB candidates won seats. This marks the party's best showing in the municipal elections since 2004. The local press has been quick to interpret the PSDB's success as a sign that party leader Aécio Neves will be a strong contender in the presidential elections in 2018. Neves was narrowly defeated by Rousseff in 2014.

However, Neves believes the most recent elections show the PT's fortunes have been reversed and its reputation has been damaged by a slew of corruption scandals implicating key ministers in the cabinets of Rousseff and Lula. "These numbers are not just an isolated election result, but are a consequence of what has been happening in Brazil for the last few years. The PT's defeat is as significant as the PSDB's victory," Neves remarked.

The PSDB's poster child is the new mayor of São Paulo, João Doria. As a media magnate with strong business credentials, Doria ran a slick PR campaign to distance himself from mainstream politics, using the slogan "I'm a businessman, not a politician." His campaign was reminiscent of the one used by billionaire businessman Michael Bloomberg when he successfully ran for mayor of New York in 2001.

Doria obtained 54% of all valid votes, giving him a sufficient margin to win the first round outright; something which has not happened in São Paulo since run-offs were first introduced there in 1992. Incumbent PT mayor Fernando Haddad lagged well behind him with just 16% of the vote. However, if invalid votes are also taken into account, more São Paulo residents spoil their ballots or abstained than those who voted for Doria, meaning he is not quite as popular as it might seem.

The PSDB will contest a further eight municipal elections in the run-offs, including Belo Horizonte (the capital of Minas Gerais state). As with Doria in São Paulo, both contenders for mayor in Belo Horizonte have non-traditional backgrounds and made a name for themselves in football at the Atlético Mineiro club. The PSDB's candidate, João Leite, formerly a goalkeeper at Atlético, won 39% of the vote, while the club's ex-president Alexandre Kalil, won 23% for the centre-right Partido Humanista da Solidariedade (PHS).

PMDB wins votes but loses Rio

While the ruling PMDB gained the most votes overall in the municipal election, it also lost some key seats to lesser-known parties. The PMDB notably lost control of Rio de Janeiro, after incumbent mayor Eduardo Paes

Mercosur

Stressing his conviction of the need for Southern Cone countries to work together, President Temer emphasised that President Macri's "way of thinking is similar to ours... I feel we think the same way, and this will make many things easier", he said to local journalists. And reiterating this point, Temer added that, "in a globalised world, filled with global challenges, strengthening Mercosur will allow us to integrate better into the world."

(2009-2016) came under fire for mismanagement of construction projects ahead of the 2016 Summer Olympic Games. His chosen successor, Pedro Paulo, was knocked out in the first round.

The frontrunner for the Rio de Janeiro elections is now gospel singer Marcelo Crivella, from the evangelical Partido Republicano Brasileiro (PRB), who won 27% of the vote. In the run-off he will face Marcelo Freixo, a newspaper columnist and human rights activist from the Partido Socialismo e Liberdade (PSOL), a leftist breakaway from the PT, who took 18% of the vote. PT candidate Edson Santos, who got just 3% of vote, has publicly backed Freixo as he moves into the next round.

Army reinforces security during elections

Army troops were called in to reinforce security during the municipal elections in eight Brazilian states, including Rio de Janeiro, where at least 10 candidates for municipal councillor were murdered during the campaign. In the other seven states, Mato Grosso, Alagoas, Rio Grande do Norte, Tocantins, Mato Grosso do Sul, Acre and Pará, there has been a wave of attacks on public buildings and transport facilities. According to research by the Fundação Getúlio Vargas (GTV), half of online posts with references to the municipal elections mention public security concerns.

REGION | INTEGRATION

Temer visits Buenos Aires and Asunción

Brazil's President Michel Temer, Argentina's Mauricio Macri and Paraguay's Horacio Cartes are singing from the same hymn sheet on regional integration in the Southern Common Market (Mercosur). All three this week advocated more flexible trading frameworks for the four founding members (which also includes Uruguay) without rupturing the bloc's overall unity. Institutional strengthening is also high on the agenda. Fifth member Venezuela has been relegated.

There was no denying the strategic nature of President Temer's first official visits to his Mercosur neighbours. He was accompanied on his trip by his foreign minister, José Serra, along with senior Brazilian ministers (responsible for the development, industry, commerce and defence portfolios), plus other government officials. In Buenos Aires, Argentina's Foreign Minister Susana Malcorra met the delegation at the airport, before accompanying them to Los Olivivos for a lunch with President Macri.

Temer was effusive in his praise of Macri, good-naturedly noting the historical ties between the countries despite their intense football rivalry. Macri's acceptance of the impeachment process against former president Dilma Rousseff (2011-2016) was critically important to legitimising Temer as he formally took over the presidency on 31 August. The two had already met at the Summer Olympic Games in Rio de Janeiro and again at the G-20 conference in Hangzhou, China, in early September.

Argentina is Brazil's third largest trading partner, after China and the US, while Brazil is Argentina's largest trading partner. Despite ideological ties and grand rhetoric about regional integration between the former leftist governments in each country, trade flows slowly fell as Argentina, in particular, took measures to 'rectify' a growing trade deficit with Brazil, imposing tariff and non-tariff measures on a slew of Brazilian goods and prompting retaliatory measures by Brasília.

Chile growth

The most recent (26 July) figures from the Economic Commission for Latin America & the Caribbean (Eclac) forecast that Chile's GDP will grow by 1.6% in 2016, down from 2.1% in 2015 although above the -2.1% contraction forecast for South America.

In 2015, the bilateral trade balance was US\$23bn, down from US\$40bn in 2011. In a bid to reverse this trend, Temer and Macri proposed cuts to red tape so as to stimulate investment, and announced talks towards reducing taxes and regulatory restrictions for key industries like the automotive and food sectors. They also said that their officials would later continue to talk about ways to promote both intra- and extra-regional trade and commerce.

On that note, Temer also brought up the idea that Mercosur should be made more flexible so as to allow each member to pursue third party trade deals. At present the group can only negotiate as a bloc. Uruguay and also Paraguay have long been frustrated by this; Brazil now too appears more anxious to have the flexibility to follow its own agenda when it wants. Serra, rather critical of Mercosur in its current condition, is a leading advocate of revamping the bloc, suggesting that it should be renegotiated "not to eliminate it, but to universalise relations with other countries." Temer advocated giving Mercosur member states "a certain autonomy regarding their international relations."

On Venezuela, the two men were clear – the Venezuelan opposition must be allowed to stage a timely presidential recall referendum (i.e. this year). "We support that it is done this year. That is our proposal. If not, we will evaluate in the future what position we will take," Temer later told the Argentine daily *La Nación*. And he was also clear that if Venezuela fails to meet its financial obligations to Mercosur it could be expelled. Macri, for his part, continues to pile the pressure on the Caracas government in his various public statements, constantly drawing attention to the dire economic situation in Venezuela, for example.

Temer later that day continued to Asunción to meet President Cartes. Again, both leaders focused on strengthening trade, with Cartes pushing for Paraguayan businesses to obtain more favourable tax rates in Brazil. Temer proposed Brazilian investment to help extend the fibre optic network in Paraguay as well as for construction projects in border towns, including an additional bridge between the Paraguayan city of Ciudad del Este (Alto Paraná department) and Brazil's Foz do Iguazu (Paraná state). Not broached, however, was the sensitive issue of the historic debt of the Itaipú binational hydroelectric dam. Paraguay for years has argued that Brazil uses most of the electricity from the dam without paying its fair share, even as it leans on Paraguay to pay off loans taken out for construction of the dam.

CHILE | ECONOMY

Bachelet presents 'austere' budget

President Michelle Bachelet last week unveiled her government's proposed national budget for 2017. Indicative of ongoing economic pressures on the ruling left-wing Nueva Mayoría coalition government as a result of the fall in international prices of copper (Chile's main export), the initiative proposes a 2.7% increase in overall spending compared with the previous year – the smallest increase since 2003. Bachelet maintains that the budget – which is currently being discussed by congress – will address her declared priorities of education, health and, now, security. However, it comes amid the renewed threat of protests from trade unions dissatisfied with the government's proposed public-sector wage increase for the following year.

In an address to the nation on 29 September in which she presented the budget, President Bachelet said that over 80% of spending would go on education, health, and security – which has become a growing public concern (see sidebar). Based on projected GDP growth of 1.75% for 2016 and

Crime

According to a poll released on 19 August by the respected local think-tank Centro de Estudios Públicos (CEP), criminality is the overriding public concern, mentioned as such by 44% of respondents, ahead of economic development (32%), and healthcare (30%). Yet the Bachelet government recently hailed progress vis-à-vis efforts to improve public security. On 11 August deputy secretary for crime prevention Antonio Frey and the deputy interior minister, Mahmud Aleuy, presented their balance sheet for the first half of 2016 which showed a 5.1% fall (equivalent to 14,213 fewer victims) in serious crimes compared with the same period in 2015. Aleuy also cited figures from Chile's investigations police (PDI) indicating that homicides were down 19.2% (from 402 to 325).

2.25% in 2017, the budget proposal calls for a 6.2% increase in education spending, to reach C\$9,489bn (US\$14.3bn) and a 4.8% increase in health spending to reach C\$7,179bn, while a 1.5% increase is earmarked for interior & public security (to reach C\$3,185bn).

As regards education, Bachelet said that, among other things, the resources would provide for a new system of professional teacher development and enable a total of over 2m primary and secondary students and 140,000 higher education students to study for free.

The focus of health spending will be on primary care, with 43 community health centres; 46 emergency centres; and three new mental health community centres to begin operations over the year. Bachelet added that C\$180bn would go on training healthcare specialists, meaning a further 1,087 new medical specialists would be added to the existing network.

As regards security, the budget proposal will allow for the hiring of 1,500 new militarised police, Carabineros, and the purchase of 250 new police patrol vehicles, among other things.

That the government continues to struggle in the face of slowing growth was indicated in the latest monthly economic activity index (Imacec) figures, a GDP proxy measure, released by the central bank (BCCh) on 5 September. The Imacec figures showed an increase of just 0.5% year-on-year in July, well below market expectations (1.2%).

Union unrest

On the same day that President Bachelet unveiled the budget, the Mesa del Sector Público (MDP), which groups 15 public-sector organisations, including Chile's main umbrella union Central Unitaria de Trabajadores (CUT), staged a 24-hour national strike.

The MDP – which claimed 90% participation in the strike – staged the unrest over demands for a 7.5% public-sector wage increase. This is considerably more than the 2.9% offer made on 16 September by Finance Minister Rodrigo Valdés and Labour Minister Ximena Rincón, which was roundly rejected by union leaders, with CUT president Bárbara Figueroa, describing it as a “declaration of war on the public sector”.

The unions were quick to highlight the fact that the BCCh is projecting 3.5% inflation for 2016. According to the most recent figures from the national statistics institute (INE), published by the finance ministry on 8 September, there was no variation in the consumer price index (IPC) in August compared with the previous month, bringing the accumulated inflation rate for the year to 2.4% and the 12-month rate to 3.4%.

TRACKING TRENDS

ARGENTINA | IMF praise. The International Monetary Fund (IMF), which has just completed a country visit, had positive words for Argentina in its October global forecast update, noting that the country had begun “an important and much needed transition to a more consistent and sustainable economic policy framework”.

The IMF acknowledged that the adjustment process this year has “proven costlier than envisaged”, and, as such, GDP is now projected to contract by 1.8% in 2016 (down from 1% in April). However, it expects a rebound to 2.7% GDP growth in 2017, on the back of moderating inflation and “more supportive monetary and fiscal policy stances”.

Argentina's Finance Minister Alfonso Prat-Gay is optimistic that 2017 will see the strongest growth in 10 years, with a GDP result potentially in the region of 3.5% and inflation of 17%, which would be the lowest in 10 years. Prat-Gay also said that up to 250,000 new jobs could be created once the private sector is back at full throttle. He said that the poverty rate inherited from the previous government, of about 32%, was “scandalous”.

Education and research

Mayor Miguel Angel Mancera said that the cuts in the 2017 Mexico City budget proposed by the federal government “should punish neither education nor research”. Speaking at the XXIII national science & technology week, staged in Mexico City, Mancera said that his government is working to propel innovation and the development of creative economies by supporting young entrepreneurs with business incubators in collaboration with universities and institutes; and that these efforts could be hampered by the proposed budget cuts. Mancera added that if the cuts are implemented, his administration will also have to reduce the purchase of hospital supplies and spare parts for the metro, as well as stop the renewal of urban buses.

MEXICO & NAFTA

MEXICO | ECONOMY & POLITICS

Mexico City fights against budget cuts

As a direct result of persistently low international oil prices, the Mexican government has been forced to make substantial cuts to the 2017 draft budget. President Enrique Peña Nieto claims that the draft budget submitted to the federal congress in early September was developed with responsibility in order to take care of public finances. However, officials in the Mexico City government (GDF) are sceptical, and have complained that the planned cuts to the city’s budget are too drastic and may answer to political motives.

The GDF has decided to take action to prevent it from being hamstrung by the proposed cuts to its 2017 budget. The GDF’s concerns stem from the plans included in the draft national budget to eliminate the annual contribution that the federal government by law has to make to Mexico City (known as Fondo de Capitalidad) in recognition of the extra spending the GDF incurs as the national capital and federal district. The federal finance minister, José Antonio Meade, has justified eliminating the M\$4.5bn (US\$233m) Fondo de Capitalidad contribution due next year as part of the general budget cuts that President Peña Nieto’s Partido Revolucionario Institucional (PRI) administration must make in order to achieve its objective of reducing the fiscal deficit, but also points to the fact that after the approval of the constitutional reform giving Mexico City state-status, the relationship between the federal government and capital must now change.

The Mexico City political reform will for the first time give the GDF greater autonomy over its finances, such as giving the power to raise new taxes, greater control over tax revenue spending, and the power to issue debt, once this process is concluded. This is scheduled to take place by January 2017, the deadline by which the newly formed Mexico City constituent assembly must draft and approve a new constitution. Meade has argued that as Mexico City stands to receive “substantial” new revenues next year it should contribute to the “efforts to cut government spending”. But Mancera, of the left-wing national opposition Partido de la Revolución Democrática (PRD), has complained that elimination of the Fondo de Capitalidad would seriously hamper his administration’s plans for much-needed transport infrastructure investment, which the Peña Nieto administration had pledged to support.

Mancera insinuated that this could be part of an attempt by federal government to undermine his administration. The mayor then publicly called for a meeting with Meade to discuss the proposed budget. This meeting took place on 3 October. Afterwards the two men said that they had agreed to establish a working group with officials from the GDF and the federal finance ministry to find areas where Mexico City’s 2017 budget could be increased to compensate for the loss of the Fondo de Capitalidad. However, Meade said that in the current budget Mexico City would receive M\$95bn (US\$4.9bn) next year, M\$9.5bn more than in 2016.

Mancera insisted that this does not make up for losing the Fondo de Capitalidad, which he argued is still legally owed to the GDF. Meanwhile Mexico City’s finance minister, Edgar Amador Zamora, said in a 4 October interview that the budget cuts affect the GDF disproportionately. He noted that Mexico City accounts for 17% of the country’s GDP but only receives 10% of the national budget; and that the plans to cut the GDF budget would negatively affect Mexico City’s economy and by extension the national economy. Amador explained that today Mexico City has a budget surplus but that this was insufficient to cover next year’s planned infrastructure works, such as the extension of metro lines, considered to be vital for the city.

Spectre of default looms

El Salvador faces the very real risk of a default unless the country's two main political parties can set aside their differences and forge a fiscal pact. This was the message from a visiting delegation of the International Monetary Fund (IMF) last week. President Salvador Sánchez Cerén arranged a meeting on 4 October with the principal opposition party, the right-wing Alianza Republicana Nacionalista (Arena), and other political parties to discuss measures to address the country's fiscal crisis. But reaching a settlement will be challenging. Mutual accusations are flying between officials from the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) and Arena politicians.

The IMF sent a team to El Salvador to follow up on an article IV consultation in June, and to encourage the country's political parties to work together to head off a default. During the visit, on 25 September, Arena elected a new party president, Mauricio Interiano, to mark the 35th anniversary of its formation by Major Roberto d'Aubuisson. "The main culprit for the country's situation is the current government which has not managed to resolve the problems of the Salvadorean people," Interiano said during his acceptance speech as the new head of the executive leadership committee (Coena) during a ceremony in Antiguo Cuscatlán in La Libertad department. The following day Interiano said that "this is not the time to assign blame but to find a solution".

This rhetorical inconsistency is not just the preserve of Arena. President Sánchez Cerén might have stressed his commitment to seeking a consensus, offering Interiano "constructive dialogue with the country's interests at heart", but other FMLN officials laid the blame for the country's current travails squarely at Arena's door. "More than 70% of the debt that we're paying has been left to us by four previous Arena governments, it is not true that the two FMLN governments have indebted El Salvador," the FMLN's secretary general, Medardo González, said. The government spokesman, Eugenio Chicas, meanwhile, blamed Arena for holding up the approval of a US\$1.2bn international bond emission in the legislative assembly, and the constitutional chamber of the supreme court for ruling against the issuance of US\$900m in government bonds in July.

The president of the central bank, Óscar Cabrera, argued this week that El Salvador's problem is one of liquidity rather than solvency. Cabrera said it would be solved in the short term if Arena removed its objection to the US\$1.2bn bond emission. But the finance minister, Carlos Cáceres, emphasised the need to move swiftly. Cáceres warned that there were insufficient funds available to pay pensions for the majority of retired Salvadoreans from October and sought urgent approval from the legislative assembly of a US\$71.5m bond emission (from the US\$1.2bn) to meet these liabilities.

Cáceres joined Sánchez Cerén in meeting representatives of the country's political parties on 4 October to begin talks aimed at agreeing upon a fiscal pact between October and December this year. The government said the meeting had been a success but René Portillo Cuadra, representing Arena, said it was like "a coffee morning". Portillo accused the government of having "no agenda and no sense of priority...they simply want US\$1.2bn in bonds without discussing austerity, cutting superfluous spending or waste, or a good pensions reform".

Budget

Finance Minister Carlos Cáceres presented a US\$4.96bn budget proposal to the legislative assembly last week, up US\$97m on this year. The budget won the approval of opposition parties in the assembly except Arena which refused to vote in favour of it on the grounds that it made "zero savings and austerity efforts".

Ovalle

On 26 September the attorney general's office (AG) requested legal action against Edgar Justino Ovalle Maldonado, a legislator for the ruling Frente de Convergencia Nacional (FCN-Nación) over alleged human-rights violations committed in relation to the so-called 'Creompaz case' – disappearances that took place between 1981 and 1988 (during the 1960–1996 civil war) in the Zona Militar 21 de Cobán, in the northern department of Alta Verapaz, which is currently known as the Comando Regional de Operaciones de Mantenimiento de Paz (Creompaz). So far eight former military officers have been accused in relation to the case.

Corruption complications drag on for Morales

President Jimmy Morales continues to face the heat over his pledge to crack down on official corruption. Following the recent order by the attorney general's office (AG) barring his son, José Manuel, and brother, Samuel Everardo, from leaving the country over their implication in a possible corruption scandal [WR-16-37], last week the national daily *Prensa Libre* reported that the AG is investigating a group of founders of President Morales' Frente de Convergencia Nacional (FCN-Nación) party over irregular campaign financing. Meanwhile the recent election of supreme court (CSJ) magistrate Silvia Patricia Valdés Quezada as the new CSJ president for 2016-2017 is further exacerbating justice-related concerns due to her perceived affinity with Morales, prompting civil-society groups to warn that the independence of state powers could be under threat.

In a report published on 27 September, *Prensa Libre* cited the head of the AG's electoral crimes unit, Óscar Schaad, as saying that the decision to investigate some of the FCN-Nación founders owed to "some pending legal cases". The daily also reports that the AG is analysing the possibility of investigating a campaign donation from Jafeth Ernesto Cabrera Cortés, the son of Vice-President Jafeth Cabrera Franco.

An interview with the attorney general, Thelma Aldana, which was published by the Spanish language version of the *New York Times* (NYT) three days later reported that Cabrera Jr. was being investigated over reports that he had allegedly requested money and an armoured vehicle from a local drug trafficker, identified by other local media as Marlon 'El Fantasma' Francisco Monroy.

With another FCN-Nación heavyweight also facing the threat of legal action for different reasons (see sidebar), concerns about judicial procedure were reignited last week following the election of Valdés as CSJ president on 26 September. Her appointment was slammed by local civil-society groups following a response to a 14 September tweet by Carmen Aída Ibarra, the director of ProJusticia, a local human-rights group, that was critical of President Morales. According to the local press, Valdés came to Morales' defence, tweeting in response to Ibarra's remarks "He is trying to do things well. Leave him to govern in peace. As if he were Harry Potter with a magic wand!" which has left these civil-society groups questioning her impartiality.

First test

As well as the fate of Morales' relatives and members of his party, another test for Valdés has emerged in the form of two lawsuits filed against the president and his cabinet on 23 September by the respected human-rights group Centro de Acción Legal, Ambiental y Social (Calas) and the main opposition party, Unidad Nacional de la Esperanza (UNE). The legal action is in response to a decree issued on 19 September which declared a state of prevention across the country for two weeks. Morales maintained that the decree – which limited constitutional rights – was necessary in order to address damage caused by torrential rains (with some 10,051 points across the country identified as at risk of flooding or landslides).

However, coming at a time when Morales was receiving considerable negative press following the accusations surrounding his relatives, the move provoked outrage from local and international human-rights groups alike, who slammed it as an attack on human rights and press freedom.

Those who came out against the 19 September decree included the human-rights ombudsman, Jorge de León Duque, who threatened legal action if it was not repealed and the US-based NGO, Inter American Press Association

Iapa concerns

On 21 September the Inter American Press Association (Iapa) issued a statement in response to the issuance of the 19 September decree ordering a state of prevention. Iapa warned that “according to members of Congress and experts in law the action...exceeds the authority of the government in undermining three constitutional rights – free travel, free assembly and free expression, this latter one in requiring media to avoid publications that ‘in the judgment of the authority’ incite disorderly conduct, which is seen as censorship of news media content”.

(Iapa) (*see sidebar*). Such was the outcry that on 21 September the government revoked the decree, replacing it instead with a state of public calamity for 30 days as part of efforts to address the damage caused by the rains.

A less harsh measure, the new decree instead seeks to centralise necessary actions to assist the affected population through the joint efforts of both the national coordinator for disaster reduction (Conred) and the health ministry. Yet a Calas lawyer, Rafael Maldonado, told reporters that the repeal of the decree did not “eliminate the illegal act”, warning that “obscure interests” lay behind it. Meanwhile UNE bench leader Orlando Blanco said that his party was requesting that the AG investigate whether the objective behind the 19 September decree was to “destabilis[e] the country’s institutionality”.

More threats against Aldana

Also fanning concerns about the state of judicial process in the country, on 28 September the interior ministry announced that it had stepped up security for Aldana. Along with the United Nations-backed International Commission against Impunity in Guatemala (Cicig), Aldana had been instrumental in the crackdown on official corruption which forced disgraced former president Otto Pérez Molina (Partido Patriota, 2012-2015) and his deputy, Roxana Baldetti, to resign last year. The interior ministry’s announcement came the day after Aldana gave an interview with radio station Emisoras Unidas in which she reported having received threats, albeit denying that the threats were related to the latest corruption racket uncovered under the Pérez Molina administration (*see box*).

It is also worth pointing out that this is not the first time that Aldana has reported receiving such threats. On 20 June she posted on her Facebook page that, for the first time since taking up the post just over two years ago, she could no longer say that she was “not afraid”. Her remarks in June came as Baldetti testified in court for the first time in relation to the case uncovered in June about a macro-criminal structure that had co-opted power (known as ‘Cooptación del Estado’) allegedly headed up by Pérez Molina and Baldetti [[WR-16-22](#)]. Her concerns about her personal safety also led the Inter-American Commission on Human Rights (IACHR), in line with a request from De León, to call on the Morales government in July to implement precautionary measures. Further indicative of alleged intimidation facing the AG, in August ProJusticia and a local human-rights organisation, Unidad de Protección a Defensoras y Defensores de Derechos Humanos (Udefegua), called for extra protection for Aldana after she reported a drone circling above her home on 8 August.

Another PP scandal

On 27 September Aldana and Cicig’s chief Iván Velásquez announced the discovery of another criminal structure under the previous PP administration which dealt in contraband.

Known as ‘El Bodegón’, the case dates back to 2014, when the Pérez Molina government declared a state of calamity as a result of heavy rains and flooding. It involves local company Empacadora el Bodegón, which sold the government some Q\$492.93m (US\$65m) worth of contraband corn and beans, some of it unfit for human consumption. On local media reports, the criminal structure obtained economic benefits worth some Q\$40.5m.

So far eight individuals have been arrested, accused of illicit association, contraband, dereliction of duty, and money laundering, including the former agriculture minister Elmer Alberto López Rodríguez.

With López’s arrest, seven former ministers in the Pérez Molina administration now stand accused of corruption in relation to different cases: former defence ministers Ulises Noé Anzueto and Manuel López Ambrosio; Mauricio López Bonilla (interior); Alejandro Sinibaldi Aparicio (communications); Erick Archila Dehesa (energy & mining); and Dwight Pezzarossi (culture & sports).

POSTSCRIPT

Quotes of the week

“I don't think it entered anyone's head that after 52 years of war the Colombian people would say 'no' to wanting to live in peace.”

Colombian Foreign Minister María Angela Holguín on the government's lack of a 'Plan B' after the referendum defeat.

“We insist on correctives that respect the constitution, not substitutes; justice, and not the derogation of institutions; political pluralism without rewarding criminals; social policy without putting honourable businesses at risk.”

Colombia's former president Alvaro Uribe.

“Enough producing expensive toys for rich kids. First we have to satisfy the needs of the poor kids.”

Ecuador's Lenín Moreno, the newly selected presidential candidate for the ruling Alianza País (AP).

Peru's Kuczynski earns congressional breakthrough

Peru's President Pedro Pablo Kuczynski has secured special powers from congress for 90 days to legislate in five wide-ranging areas, including corruption and public security. This is a notable achievement for the Kuczynski administration given that the main opposition Fuerza Popular (FP) dominates congress with 72 of the 130 seats while the ruling Peruanos por el Cambio (PPK) possesses only 18 seats.

The left-wing opposition Frente Amplio (FA) ensured that each of the five individual requests was voted upon separately during a debate that ran for more than six hours. Three of these – corruption, public security and reorganising the state-run oil company Petroperú – carried with the unanimous support of the 117 deputies present. The request for special powers to legislate in the area of water and sanitation was awarded by 115 to two.

The only noteworthy objection was provided by the FA, which voted as a bloc against allowing the government to legislate to reactivate the economy. This was approved by 99 votes to 17 (FA deputies plus FP defector Yeni Vilcatoma [WR-16-37]) with one abstention. The government is planning to reduce value added tax (VAT, known locally as IGV) from 18% to 17% by January 2017 and to fund this by increasing corporate income tax for large companies.

The Fujimorista FP was reluctant to delegate legislative powers to the government but appears to have calculated that with opinion surveys suggesting overwhelming public support for President Kuczynski's requests it stood to lose more through throwing obstacles in his path this early in his mandate when his approval rating is high. By approving these powers it also strips the government of any future excuses that congress had held up its agenda.

The FP president of the constitutional commission, Miguel Torres, was keen to point out that his party had shown “an attitude of constructive criticism”. The FP did reduce the duration of the special legislative powers from the 120 days requested by the government to 90 days. Kuczynski thanked congress, saying his government would simply have “to work harder and faster”. The prime minister, Fernando Zavala, maintained that many of the planned reforms were well advanced already.

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