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Macri strikes at the heart of Kirchnerismo

Argentina's President Mauricio Macri might have refrained from direct criticism of his predecessor Cristina Fernández during his inaugural speech on 10 December but his actions since then speak louder than words. Macri has moved to roll back, amend or plain eliminate some of the most potent symbols of Kirchnerismo. And after a week's holiday over Christmas, Macri launched his most direct attack on Fernández, whose administration he blamed for a surge in drug-trafficking over the last decade through "inaction, incapacity or complicity".

President Macri has made extensive use of decrees of necessity and urgency (DNUs) in his first few weeks in power. He issued a DNU to end (or roll back in the case of soya) all the tariffs on agricultural exports, a core tenet of Kirchnerista socioeconomic policy. He then lifted currency controls, and, controversially, issued a decree appointing two supreme court magistrates [WR-15-50].

Although Macri took a holiday in Patagonia over the festive season his government has continued to dismantle sacred legacies of Kirchnerismo. Nobody expected Macri to gun for the media law so soon after assuming power, but he issued a DNU on 4 January shooting most of it down. Before that was another decree, issued on 30 December, declaring "a statistical emergency" due to the previous government's intervention at the previously autonomous national statistics institute (Indec) to massage inflation figures. The decree makes clear that no further data will be released, on inflation, poverty or GDP growth, until Indec has been completely overhauled. "Indec was used to lie scandalously to the nation," the finance minister, Alfonso Prat-Gay, said.

The media decree extended to 40 pages. In essence it dissolves two federal audiovisual and telecommunications media bodies established by the Fernández administration, Afsca and Aftic respectively, and creates a single entity, the Ente Nacional de Comunicaciones (Enacom) in their place. The government will control Enacom as it will be comprised of seven members, three directors and a president (Miguel de Godoy) appointed by Macri and three directors to be appointed by a congressional committee.

The biggest changes to the 2009 media law remove the restrictions on media ownership and the limit on the services that cable companies can provide (they will now have a single nationwide licence). The decree creates a commission under the communications ministry to draft a new communications law over the coming months, which is expected to liberalise the whole market.

At a stroke the decree removes the aspects of the media law that Argentina's dominant media group, Clarín, has been fighting in the courts for the last six years. The constant stream of legal suits and countersuits since the media law

Drug-trafficking

The security minister for the province of Buenos Aires, Cristian Ritondo, expressed his concern that rogue elements in the police were working with criminal groups in greater Buenos Aires. Ritondo described Aníbal Fernández as “being involved with everything to do with the underworld of Quilmes [where Fernández was mayor]”. Fernández tweeted that Ritondo was a drug addict and should be examined. He accused the ruling Propuesta Republicana (PRO) in the province of Buenos Aires and rival factions within the Partido Justicialista (PJ, Peronists) of being behind the accusations against him to sully his reputation.

came into effect in 2009, however, are sure to continue. The dismissed head of Afsca, Martín Sabbatella, refused to go quietly, insisting that the DNU was “brutal, illegal, unconstitutional and responds to the interests of Clarín and [Héctor] Magnetto [Clarín’s CEO]”. Sabbatella also accused Macri of riding roughshod over a ruling by a Buenos Aires provincial judge, Luis Arias, on 30 December outlawing any changes to the media law by decree. The government ignored the ruling by arguing that the DNU was issued on 29 December but only published in the official gazette on 4 January. The Kirchnerista bloc is bound to challenge the legality of the decree when congress returns from recess in March.

The government’s move against the media law followed days after Prat-Gay declared “a statistical emergency to recover the truth”. During a long press conference, the finance minister said that work was underway to create a new consumer price index but this would not be published “until further notice”, pending a major shake-up at Indec. “We want Indec to stop lying,” Prat-Gay said. “It is not our mess but we have no problem in cleaning it up.”

Prat-Gay also called time on another legacy of Kirchnerismo, the ‘capital whitewash’ scheme, approved in May 2013, which was designed to prevent capital flight. This provided a tax amnesty for repatriated assets, allowing undeclared US dollars to be used to buy government bonds or promissory notes. “From the economic, political and moral perspective it was unacceptable to continue with this plan,” Prat-Gay said, “since it allowed dollars to enter not through the financial system, which is unusual, and [by providing a means for money-laundering] clashes with one of the government’s main priorities which is combating drug-trafficking”.

Drug-trafficking

Combating the scourge of drug-trafficking was one of the principal priorities Macri highlighted during his inaugural address. Speaking alongside the governor of the province of Buenos Aires, María Eugenia Vidal, to launch the tourist season in Mar del Plata on 4 January, Macri returned to the issue. He launched a lacerating critique of the previous government’s efforts, arguing that drug-trafficking “has advanced like never before over the last decade”. Macri insisted that “no quarter will be given” to the leaders of criminal gangs, “we’re not going to look away, we’re going to confront this issue head on”. He also argued that while its effects were felt most acutely in Buenos Aires “drug-trafficking is not just an issue for a single province but for all of us”.

Macri did not directly refer to the main story in the Argentine media over the New Year – the escape of three high-profile prisoners from a maximum-security prison in Buenos Aires province on 27 December – but his comments were clearly motivated in part by this. The three fugitives from the General Alvear prison were convicted of the 2008 murder of Sebastián Forza, a pharmaceutical businessman and major donor to Fernández’s presidential election campaign, and two of his colleagues. The investigation into the killings turned up evidence that led police to a broader network of traffickers in ephedrine, a chemical used in the manufacture of Ecstasy.

One of the fugitives, Martín Lanatta, alleged last August that Aníbal Fernández, Vidal’s rival for the governorship and cabinet chief of President Fernández, was the intellectual author of the murders for which he and his companions were convicted, which had been carried out to secure control of the illegal trafficking of ephedrine. The allegations played a part in Vidal’s victory (*see sidebar*).

Vidal fired the head of the provincial prison service and chiefs of provincial police responsible for the Buenos Aires municipality of Quilmes after it emerged that the prisoners escaped with a toy gun dressed as prison guards. Three people have been arrested on suspicion of assisting the escape, including a prison guard.

The war within the PMDB

PT proposals

The PT has launched its own manifesto on how to restore growth without a major fiscal adjustment. Among the 14 proposals, the party has called for a new financial transactions tax (CPMF) and a loan from China to capitalise Brazilian businesses. At the end of January, the government is expected to reactivate the council of social and economic development (CDES), which brings together social movements, business leaders and politicians to discuss policy-making.

The impeachment process against President Dilma Rousseff will largely stand or fall on the attitude of the Partido do Movimento Democrático Brasileiro (PMDB), the largest party in the federal lower chamber of congress and the third-largest party in the senate. A fickle ally of the ruling Partido dos Trabalhadores (PT), the PMDB is riven by splits and clashes between its biggest egos. Many of these divisions are coming to the surface ahead of the election of a new congressional leader in late February. Arguably the most significant of the party's splits is between Renan Calheiros, the senate president who is perceived to be in Rousseff's camp; and Michel Temer, Brazil's vice-president, and Eduardo Cunha, the speaker of the lower chamber, who appear to be agitating for her impeachment.

Currently, the PMDB floor leader in the lower chamber is Leonardo Picciani, a deputy from Rio de Janeiro who supports President Rousseff. However, he only remains in place thanks to a cunning procedural manoeuvre. On 9 December, Picciani was ousted from his position following the presentation of a petition calling for his removal, signed by 35 of the 69 PMDB federal deputies. Leonardo Quintão, a deputy from Minas Gerais who opposes Rousseff, immediately won election as Picciani's replacement.

In order to shore up Quintão's victory, Temer, the party's national president, convened a meeting of the national executive in Brasília to ensure that any new requests by non-PMDB deputies to join the party should be approved by the committee. This was a decision to block attempts by Rousseff government operatives to join the PMDB temporarily in the lower chamber in order to force Quintão's removal and the reinstatement of Picciani. Calheiros criticised Temer's move, denouncing the committee's decision as "authoritarian".

In the end, however, Picciani managed to trump Temer's gambit: two PMDB deputies from Rio de Janeiro who were on leave to occupy posts in the Rio state and city governments were released from their positions by Luiz Fernando Pezão, the governor, and Eduardo Paes, the mayor (both from the PMDB). That meant they could take up their seats in the federal chamber once again, replacing their anti-Picciani alternates, resulting in his reinstatement.

The lower chamber of congress, however, is currently in recess until mid-February so for the time being the question of the party's floor leader is moot. But an election for the position will be held in the second or third week of that month, and the rules for the competition are already dividing the party.

Anti-Rousseff deputies have succeeded in determining that any new leader has to be elected by two-thirds of the party, 46 of the 69 deputies, and not the simple majority that saw Picciani elected. Last year, Picciani beat Deputy Lúcio Quadros Vieira Lima by just one vote. At the time the party had a rule that the position needed to alternate between its two geographical power-bases: Rio de Janeiro and Minas Gerais. As Picciani is from Rio, those deputies in favour of impeachment argue that it is time for a Mineiro to take over.

Both Temer and Calheiros are now attempting to distance themselves from the race, and instead are bidding their allies to act on their behalf. After an early January meeting with Cunha and other powerful allies, Temer told the media that his hope for 2016 was: "Peace in the country, in the PMDB, and everywhere."

Carnival & Car Wash

As Rio de Janeiro gears up for Carnival, a factory in São Gonçalo has started production of 'The Japanese Fed' face-mask, in honour of the police officer of Japanese origin usually seen in photos of the arrest of high-profile Brazilian businessmen and politicians in the 'Operation Car Wash' scandal surrounding the state-run energy company Petrobras. Newton Ishii already has a popular "marchinha", a type of Carnival song, singing his praises.

Lula and Dilma closer after Levy's departure

One of President Rousseff's first meetings of the year was with former president Lula da Silva (2003-2011), cabinet chief Jacques Wagner, and the president of the ruling PT, Rui Falcão. Lula has expressed concern over previous months about the austerity measures being pursued by the president's economic team. But on 21 December the orthodox finance minister, Joaquim Levy, stepped aside.

Levy resigned after his emphasis on ever-greater fiscal discipline left him increasingly estranged from Rousseff. Nelson Barbosa, a man much closer to Lula's thinking, replaced Levy. The relationship between the former president and his protégé appears to have warmed as a result of the change. The markets were less enthusiastic. Barbosa is an advocate of the developmentalist school of economics, which prioritises the development of the domestic market, which suggests that the government is not about to open up the closed economy. By contrast, the appointment of Levy, a University of Chicago-trained economist, had seen the markets soar.

BRAZIL | ECONOMY

New Year, same worries

In an editorial published in the Brazilian daily *Folha de São Paulo* on New Year's Day, President Dilma Rousseff acknowledged that 2015 had been "a very hard year". She expressed confidence, however, that Brazil would end 2016 in much better shape than most analysts predict. So far, however, there is little to justify that optimism. The weekly survey of 100 economists by the central bank found a majority predicting that Brazil would suffer its worst recession since 1901, with GDP growth for last year coming in at -3.71% and -2.95% in 2016. On some estimates, by the end of 2016, the Brazilian economy is expected to be 8% smaller than it was at the beginning of 2014.

The new finance minister, Nelson Barbosa, has his hands tied. Twelve-month inflation is now running at over 10%. While the director of the central bank, Altamir Lopes, said that the institution would adopt whatever policies are necessary to bring it down to its 4.5% target, interest rates are already at 14.25%. Meanwhile, the president of the ruling Partido dos Trabalhadores (PT), Rui Falcão, said Brazil should refrain from cutting investments and consider raising inflation targets to avoid higher borrowing costs.

While many of Brazil's problems are of its own making, it is also facing an extremely unfavourable external scenario. China's slowdown continues, with a new Purchasing Managers' Index (PMI) survey showing activity in the service sector down to its lowest level in 17 months. Meanwhile, the US Federal Reserve's decision to raise interest rates has hurt the currency values of many emerging markets, including Brazil. On 3 January, Stanley Fischer, the vice-chairman of the Fed, indicated that rates might go higher still if markets showed signs of overheating.

In early January, the real slipped over the psychologically significant four to the US dollar threshold. Attempts by the Brazilian central bank to shore up the currency are having little effect. On 6 January the central bank revealed that it had spent almost R\$90bn (US\$22.3bn) in 2015, up 419% on 2014, on foreign exchange swaps to prop up the real.

Swaps are designed to provide a measure of stability to Brazilian businesses with dollar debts: when the US currency rises, the central bank pays the difference; when it falls, the bank pockets the money. For the foreseeable future, the bank will lose out.

Brazilian consumer confidence, as measured by the Fundação Getulio Vargas (FGV), reached a record low in December. Business confidence also fell

Araucanía violence

The regional prosecutor for Araucanía, Cristian Paredes, said that between January and September 2015, 243 cases of rural violence had been registered in Araucanía, 20 more than in the same period the previous year and 10 more than between January and September 2013.

throughout the year. One key measure of the economy's animal spirits, vehicle purchases, had a bad 2015. Sales were down at their lowest level for eight years, while the sector showed its sharpest decline for practically three decades. In total, 2.57m units of cars, lorries and buses were sold, a decline of 26.6% compared to 2014. While many vehicles are assembled in Brazil, many car parts are imported.

The fall in the value of the real has weighed down the automobile industry, as has both an increased tax burden and the high level of inflation. As a result many vendors have been compelled to put up prices, with the result that demand has been further depressed.

The good news

Amid the gloom, some unexpected pieces of good news. Unemployment levels dropped in November. According to the official statistics institute (Ibge), unemployment fell 7.5% in November, compared with 7.9% in October, though some analysts have attributed this to companies taking on extra sales staff in the run-up to Christmas. But retail sales also rose in October, in comparison to the month before.

Fear of unemployment among Brazilians also decreased slightly in December, according to a survey commissioned by the national industry confederation (CNI). The same survey also showed a slight improvement among Brazilians' perception of life satisfaction, although the CNI said in a statement that it was too early to say whether the numbers marked the start of a more positive trend for sentiment in Brazil.

CHILE | POLITICS

Cracks re-emerge in ruling coalition

At the end of last year President Michelle Bachelet paid a visit to the region of Araucanía, the site of recent tensions stemming from the longstanding indigenous Mapuche conflict over land claims. Bachelet's long-awaited trip – her first to the region since taking office for a second term in 2014 – made headlines for unexpected reasons: her curious failure to inform Interior Minister Jorge Burgos of the visit has re-exposed divisions within the ruling Nueva Mayoría coalition, serving as an added pressure on the government. Burgos is a veteran member of Democracia Cristiana (DC), the biggest party in the coalition and the closest to the political centre.

President Bachelet's visit to the Araucanía on 29 December was in response to ongoing arson attacks and other tensions, despite recent government efforts to address the situation. Last October the government created a new zone in the region under the control of a senior police chief to crack down on violent crime [WR-15-42].

Bachelet's trip followed an ultimatum issued on 8 December by the Confederación Nacional del Transporte de Carga (CNTC) truckers' union, which threatened to call a national strike before the end of the year unless the president paid a visit to the region. The previous month the regional prosecutor for Araucanía, Cristian Paredes, alluded to this increase in violence in testimony before the security commission of the national lower chamber of deputies (*see sidebar*).

With Bachelet's visit producing mainly promises of improved health care and regional development (*see box*), it was the omission of Burgos from her entourage that made headlines, particularly given his previous involvement in efforts to come up with a solution: at the end of November Burgos had travelled to the region, along with the deputy interior minister, Mahmud Aleuy, to

Burgos

Interior Minister Jorge

Burgos has been in the post since last May when he was transferred from the defence ministry to replace Rodrigo Peñailillo, who quit after being linked indirectly to a company investigated for illegal campaign financing.

discuss the situation with regional governor Andrés Jouannet, Attorney General Jorge Abbott, and the general directors of the Carabineros militarised police and the investigative police (PDI), Bruno Villalobos and Héctor Espinosa respectively. At the time Burgos told reporters that Bachelet would travel to the region when she “deemed it fit” or when her schedule permitted.

Bachelet’s decision not to inform Burgos about her trip prompted the interior minister to offer his resignation, which was rejected. Her reasoning baffled the local media and commentators alike. Some media like the national daily *La Tercera* noted that Bachelet had a tradition of “complicated relations” with previous interior ministers during her first mandate (2006-2010) – particularly Andrés Zaldívar (2006) and his successor Belisario Velasco (2006-2008), both from the DC. *La Tercera* suggested that Burgos was part of this tradition.

The same media also puts the DC’s reaction to the perceived snub down to ongoing tensions between the party and the rest of the ruling coalition, which comprises the Partido Comunista de Chile (PCCh) and quadripartite Concertación (the DC, Bachelet’s Partido Socialista [PS]; the Partido por la Democracia [PPD] and Partido Radical [formerly Partido Radical Social Demócrata, PRSD]).

These tensions have emerged over the DC’s criticism of the government’s proposed education reform and the passage of the abortion bill presented by Bachelet in January last year which, currently stuck in congress, would overturn the blanket prohibition on abortion, making it legal in certain circumstances – in the case of rape, when the life of the mother is in jeopardy, or if the foetus is unviable. The DC has been publicly calling for the bill to be voted on not as a package but for each of the separate cases.

Education

The constitutional court (TC) rejected the Bachelet administration’s education reform last month [WR-15-50] – specifically the mechanism for determining which higher education establishments should be entitled to state funds in order to provide free university education for certain students in 2016. The government has since passed a new short law. Promulgated on 23 December following its approval in both chambers of congress, the law includes various provisions such as increased access for public universities to extra funds “if they make a commitment to maintain or improve their institutional accreditation”. The new law, which various DC legislators claimed was “improvised”, also includes the allocation of some Ch\$2.5bn (US\$3.6m) by the education ministry in order “to allow significant progress to be made to strengthen universities”.

Araucanía promises

During her visit to Araucanía President Bachelet inaugurated a new hospital, the Dr. Abraham Godoy Peña Hospital, in Lautaro city, a project which has involved an investment of Ch\$20.24bn (US\$28.3m).

A presidential press release notes that as regards the budget allocated for the region, Bachelet said that “both sectorial resources, that is, the Ministry of Health, and the National Fund for Regional Development provided 28.7 billion pesos in 2015 alone. The investment scheduled for next year doubles that amount and we will be investing a total of 56.5 billion pesos in healthcare.” The same press release notes that these resources will allow 10 hospitals, six family healthcare centres (CESFAM), 10 family health community centres (CECOF), and 15 rural health centres to be built in the region.

Bachelet also announced that over the next two years the government’s efforts will focus on improving living conditions throughout the region, creating opportunities geared towards the promotion of regional productivity.

A sinking ship?

“Maduro’s ‘new’ cabinet reminds me of the Titanic’s tragic orchestra in its fatal farewell,” opposition deputy Américo de Grazia tweeted in response to President Nicolás Maduro’s latest cabinet reshuffle, unveiled late on 6 January. The reshuffle signalled anew that the Maduro administration is ‘not for turning’, as famously uttered by the British ‘Iron Lady’, Margaret Thatcher, with two left-wing radicals brought in to oversee economic policy. The ruling Partido Socialista Unido de Venezuela (PSUV) declared “neither pacts nor conciliation” as the new national assembly controlled by the opposition Mesa de la Unidad Democrática (MUD) convened for the first time. And with the assembly’s new president, Henry Ramos Allup, vowing a “constitutional change of government in six months”, the stage appears to be set for a major and potentially turbulent showdown in Venezuela in the first half of 2016.

There was no let-up in political tensions over the Christmas/New Year period, which in the Southern Hemisphere summer usually means extended beach time along the Caribbean coast (or in Miami) for politicians. Events in recent weeks merit a chronology. The outgoing PSUV-controlled assembly ended ordinary sessions on 15 December [WR-15-50], during which the ruling bench gave final approval to their provocative choice, days earlier, of Judge Susana Barreiros as the country’s new public defender, or ombudsperson (*see sidebar*).

In a defiant parting gesture, the assembly president and PSUV number two, Diosdado Cabello, also convened a ‘national communal parliament’ comprising representatives of the country’s grassroots communes, appearing to spin this constitutionally dubious entity as a legitimate alternative to the national assembly, as the true vestibule of “people power”. But that was not all – Cabello also ordered an extraordinary assembly session on 22 December in which deputies fast-tracked approval of 13 new magistrates to the country’s supreme court bench. The 13 had all stepped aside a full year before their terms were due to expire (December 2016) and were replaced in speedy and again constitutionally questionable fashion with new appointees clearly ‘sympathetic’ to the government. With 16 other ‘sympathetic’ judges previously appointed in late 2014, the supreme court (comprising 32 magistrates in all) is now heavily stacked with government appointees. In the event of an institutional clash between the executive and the legislature, the court is the ultimate arbiter.

As if on cue, the court’s electoral chamber days later approved a temporary measure to suspend the 6 December election of four deputies for the state of Amazonas, three from the MUD and one from the PSUV. The ruling technically left the assembly with 163 members, 109 for the MUD and 54 for the PSUV, thereby denying the MUD its critical two-thirds majority (albeit some argued that the MUD still had a two-thirds majority in the reduced chamber). The three opposition deputies were sworn in, however, on the first day of ordinary sessions, which could lead to complications for the opposition.

Ahead of the assembly’s inaugural session on 5 January it emerged that Maduro had used his expiring presidential decree powers, which ran out on 31 December, to push through over a dozen new reforms. Published in the daily gazette early in January, among the most significant are several giving the executive free rein over public financing without having to seek the

Venezuela’s new ombudsperson

Venezuela’s new public defender, or ombudsperson, Susana Barreiros happened to be the same judge who last September handed down a highly controversial 14-year jail sentence on opposition leader Leopoldo López for his alleged role in the fatal February 2014 anti-government protests.

Communal parliament

The new 'national communal parliament' sat for the second time on 5 January, following a first meeting on 15 December. The parliament will comprise 168 members, apparently – the same as the national assembly. Presenting a 'plan of action' sent down by President Maduro, the communal parliament insisted that it has the powers to "evaluate the national budget, approve resources requested by the communal councils and communes and examine additional credits". The new national assembly president, Henry Ramos Allup, denied that the communal parliament could usurp any legislative powers: "this parliament doesn't exist," Ramos declared, prompting President Maduro to rebuke the opposition for "ignoring the will of the people".

approval of the assembly. These quite significant reforms will have the effect of stripping the legislature of its (constitutionally-mandated) powers to oversee and evaluate public finances, and will allow the government to continue using the central bank (BCV) printing press at its own discretion.

Undercutting the assembly

Under a new organic law for central bank reform, for instance, the president is given free rein to appoint the six members of the BCV board for lengthy seven-year terms. It also allows the BCV to finance the government and the public sector, something expressly forbidden by the constitution, and permits the bank to withhold publication of economic statistics (which it has already done for the past year) for national security reasons. Also, notably, a prohibition on the finance minister from having a seat on the BCV board is removed. In a similar vein, a new organic law for public sector financial administration limits the executive's obligations to 'informing' the assembly about debt issuance to once a semester, and restricts the need for the assembly's prior approval of such issues; while overall responsibility for national budget planning will, effectively, pass from the finance ministry to the executive, which looks set to take control of the national budget office.

Separately, Maduro extended for three years (to 2019) a decree preventing employees from being laid off. "Three years of protection for workers," declared Vice-President Jorge Arreaza. Venezuela's labour law includes stiff penalties for unfair dismissal (payment of a double annual salary) and calculates retirement benefits on a final salary basis. It also prevents sub-contracting. Private sector employers say it is overly punitive and prevents investment and employment creation. Maduro's move came as the government warned that the opposition-controlled assembly would seek to unpick labour rights and the country's generous social welfare benefits, something strongly denied by the MUD.

Meanwhile, on 3 January the MUD plumped for Henry Ramos Allup as the assembly president for the 2016-2017 period. In a secret vote, Ramos, of the traditional party Acción Democrática (AD), beat his moderate rival, Jorge Borges of Primero Justicia (PJ), by 62 votes to 49. At the helm of the largest opposition bench (the PJ had 33 deputies elected), Borges was considered a shoo-in for the leadership post. However, the AD, which with 25 seats will be the second largest opposition bench, outmanoeuvred Borges by securing the support of other MUD parties, including the radical Voluntad Popular (VP), whose imprisoned leader Leopoldo López is strongly at odds with the PJ leadership steered by the twice former presidential candidate Henrique Capriles Radonski, who remains publicly critical of López's radical brand of politics. While Ramos declared that the MUD would remain united, that remains to be seen, with the fissures between the PJ-led moderates and the radical bench clearly visible.

Finally, 5 January dawned and as expected, the opening day of the 2016 assembly sessions was a hectic one, with the army drafted in all over Caracas. Ramos struck an immediately aggressive tone, pledging an amnesty law for imprisoned opposition politicians and vowing "a constitutional change of government in Venezuela in six months" – the implication being a recall referendum against Maduro (possible from April and, if successful, followed by fresh elections within 30 days). The moderate Borges, confirmed as head of the MUD congressional bench, took a more conciliatory tone, vowing to legislate "for the people" and urging dialogue.

But Ramos and the opposition radicals have the upper hand and the momentum; and appear determined to move fast against Maduro. In a similarly feisty tone, the PSUV declared "neither pacts nor conciliation". Speaking to the state channel VTV, Maduro said that Venezuela is living

'Ill-bred and parasitic'

"The metaphor of the invisible hand invented by Adam Smith and abused by vulgar economists only serves to make invisible the hands of those who really control and regulate the production and commercialisation of goods, and therefore prices...The Venezuelan business class is ill-bred and parasitic and over time has become an economic tumour that lives off oil rent and the exploitation of workers' salaries through speculation".

– From a pamphlet on the 'economic war' penned last year by the new productive economy minister Luis Salas, the full copy of which is available at <http://www.fundayacu.cho.gob.ve/wp-content/uploads/2015/10/Folleto-Guerra-Economica.pdf>

through "a non-conventional war", characterised by an "economic and psychological war" whose objective is to "implode and destroy the bases of the homeland". Maduro noted that the opposition had "tried many times to breach the peace". Meanwhile, the head of the Venezuelan military (FFAA), General Vladimir Padrino López, issued a string of tweets, apparently in response to a comment by Ramos, stressing that the FFAA wanted no role in politics, would not be drawn into talk of coups, and remained concerned primarily with its constitutional duty to preserve peace and protect the democratic order in Venezuela. Padrino López, whose comments on election day in December were seen as important in keeping political tempers calm, was retained as defence minister in Maduro's reshuffle, in spite of some expectations that he faced removal in favour of a hardliner.

The new economic team

Maduro has appointed Luis Salas, 39, a professor at the Bolivarian University of Venezuela, to head up a new ministry for productive economy, resulting from the division of the economy ministry into two separate portfolios. Salas supports Maduro's view that Venezuela is the victim of an 'economic war' being waged by international 'fascist' right-wing conspirators set on tumbling the Bolivarian Revolution. Notably, Salas defends the use of price controls, along with currency controls implemented in Venezuela since 2003, blamed by many liberal economists for the huge distortions now affecting the economy. Salas also argues that inflation in Venezuela is caused by speculation, usury and hoarding and is used as "a political tool" by the opposition (see sidebar).

Another academic, Rodolfo Medina, becomes the new finance & banks minister. Until now Medina headed up the national budget office and is better regarded as a technocrat who has advocated currency reform. But like Salas, Medina has no prior ministerial experience. The opposition, which argues that a 90-degree policy turn is needed to address the severe recession afflicting the oil-dependent economy, reacted with dismay.

Brazil issues a gentle warning

Brazil – which had been mute since Venezuela's midterms – this week issued a statement congratulating the country on both the 6 December elections and the inaugural session of the national assembly. "The Brazilian government hopes that the sovereign will of the Venezuelan people, expressed in free and democratic form at the ballot boxes, will be fully respected. It hopes, equally, that the constitutional attributions and prerogatives of the new Venezuelan national assembly and its members, elected to that forum, will be preserved and respected. There is no place, in 21st century South America, for political solutions outside of the institutional, and the most absolute respect for democracy and the rule of law," the foreign ministry said.

That statement might be interpreted by both sides in Caracas as a tacit warning to the other. President Maduro can read it as a warning to the opposition not to go down the potentially politically explosive path of seeking to oust him, while the opposition can read it as a warning to Maduro not to abuse his executive power.

Homicides reach almost 28,000 in 2015

The economic crisis is not the only affliction in Venezuela. There were an estimated 27,875 violent deaths recorded in the country in 2015, according to the Observatorio Venezolano de Violencia (OVV), an increase of 12% over 2014. The homicide rate was thus 90 per 100,000, up from 82 the previous year.

Blaming the government for the increase in the violence, due to "the absence and excess of the State", the OVV noted that the number of murders in the country has tripled in the past decade, from 9,719 in 2005.

Santos visits Farc birthplace for mayoral ceremony

President Juan Manuel Santos was invited to attend many inauguration ceremonies of mayors taking office on 1 January after election last October but pointedly he chose just one: Rioblanco, in the southern department of Tolima, very close to the cradle of the Fuerzas Armadas Revolucionarias de Colombia (Farc). His choice was intended to reflect his commitment to peace, which he has always insisted must be “constructed in the regions”.

Speaking at the mayoral ceremony President Santos said he had chosen to visit Rioblanco for symbolic reasons: “this is where the armed conflict broke out, and it is here that the first steps will be taken to end it, closing this chapter and opening opportunities never before seen”. The choice of Rioblanco was also especially interesting, however, because the new mayor, Delcy Esperanza Isaza, was not elected on the ticket of any of the parties making up the ruling coalition. On the contrary, Isaza came to power representing Partido Opción Ciudadana (POC), the rebranded Partido de Integración Nacional (PIN) comprised of relatives or pawns of politicians jailed for links with paramilitary groups.

Isaza’s candidacy was backed by the right-wing Centro Democrático (CD) of Senator Alvaro Uribe (president 2002-2010), the fiercest critic of the peace process. While he made no direct reference to Uribe, Santos spoke at length about the importance of reconciliation. During his speech he commemorated the bicentenary of the birth in Tolima of former president Manuel Murillo Toro (1864-1866; 1872-1874). Santos praised Murillo Toro as a politician of democratic convictions who was able to defend a lifelong critic, president of the Republic of New Granada General José María Obando (1853-1854), when push came to shove. “This is what I want Colombians to be able to do,” Santos said. “Leave hatred behind. Learn reconciliation. Respect differences and resolve them through dialogue rather than bullets”.

Santos was also clear that Colombia’s elected governors and mayors would be “responsible for the country’s transition” and implementing the eventual peace accords with the Farc. He made a point of urging voters during the regional electoral campaign last year to think carefully about who they elected given the amount of money which will become available to governors and mayors as part of post-conflict development programmes. But the public prosecutor’s office revealed in late December that as many as 350 mayors (35% of those elected) and seven governors (22%) are facing criminal investigations. Most of them have not been formally charged of the alleged crimes, which range in significance from failure to pay child support to drug-trafficking. Given the import of Santos’s speech in Tolima, it is noteworthy that the governor of the department, Oscar Barreto, who was elected with the backing of the CD and the Partido Conservador (PC), is subject to no fewer than four criminal investigations.

ELN peace talks

The next stage of peace in Colombia would be the launch of formal negotiations with the Ejército de Liberación Nacional (ELN). In an interview with the Basque paper *Gara* on 26 December, the maximum leader of the ELN, ‘Gabino’ (Nicolás Rodríguez Bautista), said that an agenda for negotiations had been agreed “right down to the last comma”, and formal talks would get underway in early 2016 after two years of exploratory talks. But since then Venezuela has pulled out of mediating the dialogue with the ELN, crucial given that the guerrilla group’s leadership is believed to be sheltering there. The Venezuelan government’s motives are diffuse. It could be pressuring the Colombian government not to express support for the newly empowered opposition in Venezuela or be getting cold feet about losing influence over Colombia should peace prevail.

Elected mayors and crime

The most reported case of a mayor implicated in crime being elected is that of John Jairo Torres who was elected last October as mayor of Yopal, the capital of the department of Casanare, despite being arrested on corruption charges days before the elections. He was released on bail days before he was due to take office on 1 January but was not sworn-in.

Indigenous plight takes centre stage

Pope's visit

Felipe Arizmendi, the bishop of San Cristóbal de Las Casas, proposed that Pope Francis have lunch with eight local indigenous people representing diverse ethnic groups – Tzeltales, Tzotziles, Ch'oles and Tojolabales – descended from the Mayas. He said that 75% of his diocese was made up of indigenous peoples: 500,000 Tzeltales; 400,000 Tzotziles; 150,000 Ch'oles; and 55,000 Tojolabales. The pope accepted.

Mexico's poor and marginalised indigenous will shortly be thrust into the spotlight. Not because the insurgent Ejército Zapatista de Liberación Nacional (EZLN) is marking the 22nd anniversary of the launch of its armed uprising in the impoverished southern state of Chiapas. But because Pope Francis has elected to visit San Cristóbal de las Casas, a bastion of support for the EZLN, as part of a six-day visit to Mexico from 12 to 17 February. Awkwardly the government led by President Enrique Peña Nieto has still failed to deliver on a promise made two years ago to incorporate the San Andrés Accords reached between the Mexican government and the EZLN in 1996, which granted autonomy, recognition and rights to the country's indigenous communities, into a major piece of legislation harmonising the constitution with international treaties on indigenous issues.

On 1 January the EZLN staged its annual 'festival of resistance and rebellion against capitalism', celebrated every year since its 1994 uprising, which was motivated by opposition to the North American Free Trade Agreement (Nafta) as well as a desire to secure indigenous self-determination, freedom and justice. There was considerable sympathy for the indigenous cause at the time especially given that the authoritarian Partido Revolucionario Institucional (PRI) was still in power, and it proceeded to ignore the commitments undertaken in the San Andrés Accords.

The chief and spokesman of the EZLN, 'Subcomandante Moisés', who replaced the group's enigmatic and reclusive leader 'Subcomandante Marcos' at the helm in May 2014, used the annual 'festival' to accuse the authorities of inculcating a dependence on social welfare programmes "handing out crumbs to take advantage of some people's ignorance and poverty". Moisés maintained that this had led to "laziness and crime; community life is broken, fatally torn apart; before there was hunger and poverty, which persist, but with the addition of hopelessness". He said that "*partidista* communities [those who have taken government handouts] just wait for the next government aid programme, or the next electoral season".

By contrast, Moisés contended, EZLN communities enjoyed autonomy, unity and hope. "In our communities there might not be cement houses or digital televisions or the latest model of truck but our people know how to work the land... We can say it without shame: Zapatista communities are not only better off than they were 22 years ago but their quality of life is superior to those *partidista* communities who have sold out".

Felipe Arizmendi, the bishop of San Cristóbal de Las Casas, who will welcome Pope Francis, has stated that the EZLN "lives on, no longer as a military option but as a social and political organisation fighting for a decent life [...] showing that autonomy is possible without dependence".

The EZLN system of 'uses and customs' has been far from an unqualified success, however, in terms of bringing prosperity to its areas of influence in Chiapas. Even some supporters of greater indigenous autonomy described the address given by Moisés as self-delusory and arrogant. But they are hopeful that the pope's visit to the area will put indigenous rights firmly back on the political agenda. This will mark the first time that a pope has ever visited San Cristóbal de las Casas, where he will deliver mass with indigenous communities.

Mota's murder

The police were involved in a car chase in pursuit of the hitmen suspected of the murder of Mayor Gisela Mota. In a subsequent gunfight two of the suspects were killed. A further three suspects, believed to belong to the criminal group Los Rojos, were arrested. Los Rojos constitute a faction within the Golfo drug-trafficking organisation (DTO).

The pope's visit is unlikely to give a new lease of life to the EZLN but it should raise the issue of neglect and marginalisation of Mexico's indigenous communities more effectively. Jaime Martínez Veloz, Mexico's commissioner for indigenous dialogue, announced on 27 December 2013 that the government would present a major constitutional reform incorporating the San Andrés Accords and harmonising Mexican law with the United Nations declaration on indigenous rights and Convention 169 of the International Labour Organization by "around February [2014]".

More than two years on from the announcement and this groundbreaking piece of legislation is nowhere to be seen. In the meantime, significant reforms, especially to the energy sector, which under these international treaties (and indeed the San Andrés Accords) would have required consultation with indigenous communities, have been approved.

MEXICO | SECURITY

Morelos mayor murdered

The mayor of Temixco in the state of Morelos, Gisela Mota, was assassinated on 2 January, the day after she took office. The governor of Morelos, Graco Ramírez, claimed that the motive for Mota's murder was her swift adoption of the federal government's proposal of a single command for the numerous police forces operating in Mexico. This places command of municipal police forces under state governors. Ramírez argued that organised crime was trying to cow other municipal authorities yet to approve the single command initiative. Days later he passed a decree imposing the new command structure, undercutting the authority of municipal governments. This move led to accusations that Ramírez had exceeded his constitutional authority.

Mota, who belonged to the left-wing Partido de la Revolución Democrática (PRD), was bundled out of her own home along with two members of her family by a group of hooded men and shot. Temixco was one of 15 municipalities out of 33 in Morelos, a small state adjacent to Mexico City, that had resisted the single command scheme under which state security authorities assume command of municipal police forces.

Ramírez, also a member of the PRD, said Mota's assassination was clearly intended as a warning to other new mayors not to accept the single command structure, which has been designed by the federal interior ministry (Segob) as a means of improving coordination between different levels of police forces in the fight against organised crime, and to combat internal corruption. Municipal police are poorly paid and the most vulnerable to corruption by organised crime. Indeed, there are numerous examples that municipal police officers are not merely susceptible to bribes but actively collude with criminal groups. The integrity of state police officers is by no means unimpeachable but they are better paid and their reputation is marginally better.

One of those mayors resisting approval of the single command structure is Cuauhtémoc Blanco, a former Mexican footballer for the national team. Blanco, who has just taken office as mayor of Cuernavaca, the state capital, denounced the decree issued by Ramírez, which he claimed contravened the constitutionally mandated autonomy of municipal governments. The concern for the Segob is that other state governors might follow the lead of Ramírez, triggering institutional clashes with other mayors opposed to the single command initiative. The governor of the contiguous violence-riven state of Guerrero, Héctor Astudillo Flores, has already indicated his intention to do so.

Interest rates

Mexico's benchmark interest rate had been held by Banxico at 3% (a record low) since June 2014 when it was lowered from 3.5%. The decision to lift the interest rate in response to the US Fed's move marked the first time since mid 2008 that Banxico had increased the interest rate. Banxico justified its decision in a statement in which it said that failure to reciprocate the Fed's move "could generate additional disorderly depreciation of the national currency and affect inflation expectations and inflation itself". Banxico is forecasting inflation of only 2% for 2015 and around 3% in 2016.

MEXICO | Growth exceeds expectations. Mexico's GDP grew by an estimated 2.5% in 2015, according to a report released on 17 December by the United Nations Economic Commission for Latin America and the Caribbean (Eclac). This is more than the 2.2% GDP growth registered by the country in 2014.

The Eclac report argues that the higher growth increase was mainly due to "more vigorous [domestic] consumption in the second half of the year, and a moderate expansion in exports". The report adds that "In 2015, economic policy focused on maintaining macroeconomic stability within an unfavourable international environment, particularly concerning the low international oil price and its impact on public finances".

Based on the 2015 growth results, Eclac also expects Mexico's GDP to grow by 2.6% in 2016, boosted by higher external demand for Mexican goods but counterbalanced by lower government expenditure. Mexico's inflation rate increased by 2.5% in 2015 on Eclac figures, an uncharacteristically low figure that fell well within the target rate of between 2% and 4% per year set by the central bank (Banxico). In addition, unemployment has decreased to 4.3%, half a percentage point lower than the 4.8% registered in 2014. While the difference is marginal it nonetheless makes for encouraging reading for the government led by President Enrique Peña Nieto, which has made reducing unemployment one of its key economic objectives.

On the downside for the government, the increased level of spending last year as part of the government's efforts to support domestic economic growth has translated into an increase in the fiscal deficit. According to Eclac, Mexico's fiscal deficit reached 3.5% of the country's GDP in 2015, which is more than the 3.2% registered in 2014. This runs counter to one of the other key declared economic objectives of the Peña Nieto administration, to run zero-sum national budgets during its single six-year term so as to reduce, not increase the fiscal deficit.

MEXICO | Banxico to align with US monetary policy. On 4 January the governor of Mexico's central bank (Banxico), Agustín Carstens, said in a radio interview that if the US Federal Reserve (Fed) decides to increase its interest rates gradually this year, Banxico will have to do the same.

In its final meeting of last year, held on 17 December, Banxico's monetary policy committee decided to increase its benchmark interest rate by 25 basis points to 3.25% for the first time in months, a day after the Fed finally increased its benchmark interest rate which had remained static at virtually zero since the 2008-2009 global financial crisis.

With Mexico and other countries alerted to the fact that an increase in US interest rates could impact them by attracting foreign capital away from their economies, the move was tensely awaited amid debate as to whether Mexico and others would seek to match the Fed's move or stay put so as to continue to promote growth. Banxico chose the former and based on the latest remarks by Carstens, Banxico will continue to align its monetary policies with the Fed's in the future.

As Carstens told *Radio Fórmula*: "If they are going to increase their interest rates, and I think that it will happen very gradually, we will have to increase our rates gradually as a consequence". In addition, Carstens said that the most important thing for Mexico within the international environment is the recovery of the US economy, which will help drive the Mexican economy both internally and externally.

MEXICO | Pemex. On 5 January it was discovered that an oil pipeline had been illegally tapped right under the noses of the police in the municipality of León, Guanajuato state.

It is the third time in the last two months that the pipeline, belonging to the state oil company Pemex, has been tapped in the same place, leading to oil leaks, just a stone's throw from a building known as 'the Pentagon', which houses the municipal police headquarters and municipal prison.

Guanajuato is one of four states where there has been a surge of illegal oil taps in recent months (see the latest edition of our *Latin American Regional Report: Mexico & Nafta for an in-depth analysis of the government's efforts to combat oil theft*).

Corruption in the electoral authorities

Haiti's provisional electoral council (CEP) itself faced corruption allegations after several candidates who ran in the legislative run-off elections, which also took place on 25 October, took to the radio mid December and claimed that they had paid thousands of dollars in bribes in order to secure legislative posts. These included Gérald Jean of a leading opposition party, Plateforme Vérité, of former president René Préval (1996-2001; 2006-2011), who said that he paid two electoral officials a total of US\$35,000 for a legislative post (although was ultimately unsuccessful).

Elections postponed as political crisis intensifies

Six days before the 27 December presidential second-round run-off between Jovenel Moïse of President Michel Martelly's Parti Haïtien Tèt Kalé (PHTK) and Jude Célestin of the Ligue Alternative pour le Progrès et l'Emancipation Haïtienne (Lapeh), the provisional electoral council (CEP) announced it was cancelling the vote. This was in response to the growing allegations that massive fraud took place during the 25 October presidential first round [WR-15-49] as well as, more recently, a corruption scandal involving the CEP itself. While the CEP has since set the date of 24 January for the second-round presidential run-off, ahead of the constitutionally mandated presidential handover of power on 7 February, the release of a report by a special panel established by President Martelly at the end of last year to evaluate the first round vote has only served to exacerbate the crisis.

As well as the so-called 'G-8' coalition of opposition presidential candidates, headed up by Célestin and prominent civil society groups like Réseau National de Défenses des Droits de l'Homme (RNDDH), which already signalled concerns about "massive fraud" which took place during the first round vote and called for the establishment of a special commission to conduct a full recount [WR-15-49], these doubts have since been expressed by the Catholic church and the private sector. Then on 15 December the current 10 members of the senate (the terms of the other 20 having expired) added to these concerns and called for an independent commission to audit the vote. While on 17 December President Martelly appointed a special five-member panel to evaluate the first-round vote, his move was rejected by all sectors for not going far enough. Compounded by revelations of corruption involving electoral officials (*see sidebar*), on 21 December the CEP bowed to pressure and announced it was postponing the vote, which is now scheduled for 24 January.

With the decision to postpone the election a tacit acknowledgment of the grave problems afflicting the electoral process, the sense of political crisis has since intensified following the release on 3 January of the panel's report. The panel, which began its work on 22 December and met with CEP members, candidates, civil society groups, government officials and election observers, among others, is comprised of Patrick Aris of Haiti's Catholic episcopal conference; Rosny Desroches, the general coordinator of civil society group l'Initiative de la Société Civile (ISC); Euvonie Georges Auguste, a member of the opposition Renmen Ayiti party, whose presidential candidate Jean Henry Céant is part of the 'G-8'; engineer Armand Louis; and Gédéon Jean, a representative for human-rights groups.

While refraining from calling for the second round to be further postponed, the panel's report was clear that the presidential first round – in which, according to the final official results, Moïse received 32.76% of the vote, while Célestin took 25.29% – was "stained with irregularities" and fraud which benefitted "some of the candidates" (although further details were not supplied). The panel, which verified 1,771 tally sheets selected at random, found that 92% contained "serious irregularities". Examples included the fact that voters' signatures or fingerprints were missing from 57% of the audited documents while 47% of the numbers of the national identity cards (CIN) which appeared on voters' ballots were false.

The panel also appeared to confirm doubts regarding the electoral officials themselves, noting that over 60% of voting bureau members (MBV) were

Juan Rafael Mora

Porrás' road

In its 16 December ruling, the ICJ also dismissed Nicaragua's complaint filed in December 2011 that Costa Rica's construction of a 159.7km road, route 1856 'Juan Rafael Mora Porrás', which runs in Costa Rican territory along part of its border with Nicaragua, breached substantive international environmental obligations. However, the ICJ did find that Costa Rica had violated its obligation to carry out an environmental impact assessment (EIA) for the project. The ICJ has yet to rule on another case filed by Costa Rica against Nicaragua in 2014 regarding maritime delimitation in the Caribbean Sea and the Pacific Ocean, which followed Nicaragua's decision to award off-shore oil exploration concessions.

unable to carry out their work correctly due to incompetence and lack of general and specific training. The panel concluded by calling for a national dialogue, changes in the electoral machinery and, given the allegations and suspicion of fraud surrounding the CEP itself, urged the resignation and replacement of the nine CEP members in order to "safeguard the credibility" of the electoral process.

While vindicating the complaints by the opposition regarding the electoral process, the panel's report was rejected by the G-8 which complained that it did not go far enough in its recommendations and reiterated calls for a transitional government. In a strongly worded statement issued on 4 January, the G-8 went on to accuse the panel of "cowardice" for failing both to identify those candidates who qualified for the second-round and to indicate the results obtained by each candidate. The G-8 concluded that this "cowardice" made it impossible in such conditions to continue with the electoral process. That the panel's report was controversial was evident in the fact that one of its members subsequently told reporters that he had not signed off on it because his calls for a profound evaluation of the results were dismissed. He added that given the numerous irregularities, it was impossible to rule out the suspicion of massive fraud.

Célestin is yet to indicate whether he will take part in the 24 January run-off. The international community has shown concern. On 6 January US Counsellor of the State Department Thomas Shannon and Haiti Special Coordinator and Deputy Assistant Secretary Kenneth Merten travelled to Haiti "in the context of ongoing efforts in Haiti to complete the electoral process". It remains to be seen whether the transfer of presidential power will in fact take place on the constitutionally mandated deadline of 7 February.

TRACKING TRENDS

COSTA RICA-NICARAGUA | ICJ hands down its ruling. On 16 December the International Court of Justice (ICJ) at The Hague issued its ruling on the case filed by Costa Rica against Nicaragua in 2010 over the San Juan river area dividing the two countries. The ruling – which has been accepted by the Nicaraguan government led by President Daniel Ortega – found that Nicaragua had "invaded and occupied Costa Rican territory" and, specifically, that Nicaragua had "conducted works (notably the dredging of the San Juan River [which divides the two countries]) in violation of its international obligations".

A previous 2009 ICJ ruling, based on the Cañas-Jerez Treaty of 1858 and accepted by both sides, established that the San Juan River belonged in its entirety to Nicaragua but granted Costa Rica the right to free navigation for commercial purposes. However, in November 2010 Costa Rica filed a complaint with the ICJ, a month after Nicaragua started dredging the San Juan River so as to improve navigability, but also carried out works in the northern part of Costa Rica's Isla Portillos.

As noted in the ICJ's 16 December ruling, Costa Rica had "contend[ed] that Nicaragua artificially created a channel (both Parties refer to such channels as "caños") on Costa Rican territory, in Isla Portillos between the San Juan River and Laguna Los Portillos/Harbor Head Lagoon, whereas Nicaragua argues that it was only clearing an existing caño on Nicaraguan territory. Nicaragua also sent some military units and other personnel to that area". As a result Costa Rica complained that Nicaragua had breached "the obligation to respect [Costa Rica's] sovereignty and territorial integrity within the boundaries delimited by the 1858 Treaty of Limits and further defined by the Demarcation Commission established by the [1896] Pacheco-Matus Convention, in particular by the first and second Alexander Awards".

While Nicaragua did not contest that it dredged the three caños, it maintained that "it enjoys full sovereignty over the caño joining Harbor Head Lagoon with the San Juan River proper, the right bank of which constitutes the land boundary as established by the 1858 Treaty as interpreted by the Cleveland and Alexander Awards" – an argument rejected by the ICJ.

Quotes of the week

“We want Indec [the national statistics institute] to stop lying which is why we have decreed a statistical emergency.”

Argentina's finance minister, Alfonso Prat-Gay.

“From today, here, things are changing.”

Venezuelan opposition deputy Henry Ramos Allup, the new president of the national assembly.

“Even when unfairly questioned in an attempt to impeach me, it does not hurt me, nor do I hold grudges.”

Brazil's President Dilma Rousseff.

POSTSCRIPT

High hopes for a Macri Mercosur makeover

The advent of Argentina's President Mauricio Macri to power has raised expectations of change in many areas, but none more so than foreign trade policy. Uruguay's President Tabaré Vázquez took over as pro tempore president of the Southern Common Market (Mercosur) on 21 December making trade accords with other blocs, principally the European Union (EU), his main priority. Vázquez, who will host a meeting with Macri on 7 January, clearly feels the new Argentine president will give a fresh impetus to Mercosur on the foreign trade front. The president of Brazil's most powerful business organisation, Federação das Indústrias do Estado de São Paulo (Fiesp), Paulo Skaf, went as far as to express his confidence that Macri could “change Mercosur and the vision of the whole continent...signifying the end of a century of interventionist governments to start a cycle of a liberal, modern and agile economy”.

“It seems that with regard to integration we've not reached the 21st century,” President Vázquez said during the Mercosur summit in Asunción at which the big absentee was Venezuela's President Nicolás Maduro, who has provided just one of the obstacles to greater integration. The other big reason why presenting a united front in foreign trade talks has proved elusive has been Argentina's trade protectionism, which has extended to contravention of Mercosur's internal rules on free movement of goods. This will change significantly under Macri, who favours greater intra- and extra-regional trade.

On 31 December Argentina dropped its import restrictions and eliminated the contentious sworn affidavit of intention to import (DJAI) forms, which require Argentine importers to gain permission from the local customs authorities for bringing in imported goods. Uruguay's foreign minister Rodolfo Nin Novoa expressed his hope that the elimination of the DJAI would inaugurate “a new stage in which Mercosur once again becomes what it was meant to be: a free trade zone”. He said that since the introduction of the DJAI in February 2012 Uruguayan exports to Argentina had “declined substantially”.

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