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Maduro conducts dialogue amid purge in Venezuela

Venezuela's President Nicolás Maduro praised the success of the dialogue process with the opposition coalition Mesa de la Unidad Democrática (MUD) in the Dominican Republic on 1 and 2 December. At the same time, however, he refused to countenance any of the MUD's key demands, while insisting that it swallow several unpalatable concessions to his government. The talks are taking place against the backdrop of by far the most significant internal conflict within the ruling Bolivarian movement since its late founder Hugo Chávez took office in 1999 as Maduro seeks to consolidate power, buttressed by the military, ahead of a re-election bid this time next year.

Speaking during his weekly television programme on 3 December, President Maduro thanked the MUD for its "spirit of collaboration". He invited the representatives of the four MUD factions in the dialogue process to the Miraflores presidential palace for "a special meeting" to evaluate progress made. Julio Borges, the president of the opposition-controlled national assembly leading the MUD delegation in the talks, rejected the invitation. Borges said the dialogue was taking place in the Dominican Republic, in the presence of regional foreign ministers, and should continue there as scheduled on 15 December.

It is not clear what progress has actually been made in the dialogue process. Maduro categorically ruled out the opening of a humanitarian aid corridor, the MUD's principal demand. From Maduro's perspective acceptance of this demand would amount to an admission of failure that his government cannot accept. "Venezuela is not a country of beggars... Venezuela produces things...we have our problems as all countries do but we will overcome them in our own way through solidarity, love and socialism," Maduro said. One of the serious problems Venezuela has always faced, however, despite endless promises to diversify its economy, is that, contrary to Maduro's assertion, it does not 'produce' much at all and needs to import, for instance, the majority of its food and medicine, which it cannot afford to do now.

Maduro went on to say that "we have defeated the bourgeois national assembly...on all the fields of battle", and he demanded that the MUD accept the legitimacy of the constituent assembly. If Borges needed a reason not to accept the invitation to meet in the presidential palace, Maduro's revelling in the silencing of the branch of government the MUD controlled and ordering the recognition of an illegitimate body supplanting it, would have sufficed.

The head of the government negotiating team, the information minister Jorge Rodríguez, did not mention much in the way of progress in the Dominican dialogue process either. He ruled out the holding of any elections or any accord with the opposition unless financial sanctions imposed by the US and other countries were lifted. Developments away from the negoti-

Move against Ramírez

Rafael Ramírez's cousin Diego Salazar Carreño was arrested for alleged involvement in the corruption network surrounding the Banca Privada D'Andorra (BPA). The US accused the private bank in 2015 of money laundering activities for Venezuela to the tune of US\$4.2bn, and the MUD specifically denounced Salazar. At the time the Venezuelan government did nothing. Maduro said artwork valued at €800,000 (US\$940,000) and other valuable assets were found during a raid of Salazar's house in Caracas. "This is the people's money, thieves!" he said.

ating table demonstrate just how difficult it will be to reach an accord. The spokesman for the MUD, Lester Toledo, urged the European Union (EU) this week to sanction 62 Venezuelan officials responsible for human rights violations. Toledo said that if they felt "cornered" it would be easier to reach a negotiated solution "to end the dictatorship".

Internal war

Maduro blamed Venezuela's deepening economic crisis on these financial sanctions as well as on what he described as the economic war waged by business, the opposition, and former executives of the state-owned oil firm Pdvsa accused of corruption. Maduro appointed Major General Manuel Quevedo to "clean-up" Pdvsa last week [WR-17-47]. Quevedo assumed the posts of both Eulogio del Pino and Nelson Martínez, the oil minister and president of Pdvsa respectively, both of whom were arrested on 30 November on the orders of the de facto attorney general Tarek William Saab.

Both Del Pino and Martínez, who upon their replacement had written messages thanking Maduro for the confidence he had placed in them, were in their pyjamas when masked agents from military counter-intelligence (DGCIM) seized them from their apartments in televised raids. Del Pino stands accused of heading a corruption ring within Petrozamora, a joint venture between Pdvsa and Russia's Gazprom in the western state of Zulia, and tampering with production figures leading to losses of US\$500m; Martínez, of authorising a refinancing deal at Venezuela's US-based oil refiner Citgo without consulting the government. Quevedo said this week that contracts with 272 companies signed off by the previous Pdvsa leadership were being evaluated.

Saab said the arrests were part of "the dismantlement of a cartel taking over the oil industry". It stretches credulity, however, that the Maduro administration has only just detected corruption within Pdvsa, something the opposition has been denouncing for years. The ulterior motive behind its decision to act now is becoming increasingly apparent. On 1 December, Diego Salazar Carreño was arrested for alleged involvement in another corruption case, also denounced by the MUD but ignored by the government (*see sidebar*). Salazar is the cousin of Rafael Ramírez, the long-serving oil czar (2002-2014) under Chávez.

Ramírez headed a powerful faction within the Bolivarian movement under Chávez which Maduro is neutralising through Saab's purge of senior Pdvsa officials (81 and counting). Ramírez was forced to resign as Venezuela's permanent representative to the United Nations on 5 December. In a long resignation letter Ramírez said he had made "a very difficult decision" but had been left with "no option" in the face of "attacks and scorn for expressing my opinions and raising the alert [Ramírez recently questioned the decline in oil production and government economic policy in an opinion piece in the pro-Chávez online publication *Aporrea*, which is critical of the Maduro administration]". Ramírez vowed to "remain loyal to Comandante Chávez".

Ramírez claimed he was being sidelined because of "an egotistic and mean political calculation", with Maduro needing a scapegoat for Venezuela's economic crisis and looking to eliminate potential rivals ahead of a re-election bid in 2018, while strengthening the military faction within the Bolivarian movement. Deputy Omar González of the opposition Vente Venezuela described the internal struggle as "a conflict for power to keep plundering what resources the country has left; a war between mafias that is dramatically altering the balance of power within the regime, the armed forces, and the ruling party which could end up destroying Venezuela." MUD deputy Ismael García argued that "the mafias in charge of the food supply network", tolerated and even rewarded in the past, could be next to be "thrown to the wolves".

Moreno unfazed by Correa's return**Infighting**

The president of the national electoral council (CNE), Nubia Villacís, did not send a representative to the Esmeraldas convention because she argued it was not official as it had not been called by Ricardo Zambrano, who was appointed as the AP's president in an extraordinary session of the party's national leadership council on 23 November convened by President Moreno who also expelled Correísta figureheads from the party. Villacís recognised Zambrano as president despite the Correa faction of the AP contesting that the session was illegitimate because only 11 members of the 31-strong leadership council turned up. Villacís only assumed the presidency of the CNE on the day Moreno issued his decrees ordering the body to stage his national referendum which prompted the previous incumbent, Juan Pablo Pozo, to step down.

The much-anticipated return to Ecuador of former president Rafael Correa (2007-2017) fell a bit flat. A group of loyalists within the ruling Alianza País (AP) had hoped it would galvanise the party's grassroots and culminate in resounding support for President Lenín Moreno's expulsion from the party at a convention on 3 December. But rallies organised in several of the country's largest cities attracted a low turnout, and Correa even faced some heckling. Before the convention could even meet, Moreno sprung a surprise by issuing an executive decree ordering his national referendum to be held.

On Correa's first day back on 25 November a thin crowd turned out to greet him as he stood on the balcony of the AP headquarters in the coastal city of Guayaquil and described President Moreno as "a professional imposter". It was much the same story in the country's third most-populous city, Cuenca, where a rally took place in a small square and Correa was moved to say "we are few but we will be more". In Ibarra, the capital of Imbabura province in northern Ecuador, there were even chants of "prison for Correa".

The main reason for Correa's return was to inspire support ahead of a convention organised by the AP faction loyal to him in Esmeraldas, capital of the eponymous north-western province. A total of 1,272 accredited members attended the convention. Moreno was expelled from the AP during the convention for deviating from the party's ideological principles and government plan. But this means nothing in practice as the national electoral council (CNE) did not recognise it as an official convention (*see sidebar*).

Correa urged delegates at the convention to campaign against Moreno's national referendum which he claimed was a naked power grab. Correa argued that Moreno's proposed restructuring through the referendum of the Consejo de Participación Ciudadana y Control Social (CPCCS), to depoliticise the body, was a specious excuse for destroying the rule of law in Ecuador and staging an institutional coup. The CPCCS, officially the fourth branch of government, appoints the attorney general, comptroller general, constitutional court (CC) magistrates, and members of the CNE among others.

Correa even mooted the creation of a separate party, Revolución Ciudadana, to oppose Moreno. This appears to be the most likely outcome of the bitter struggle for power within the AP, and Moreno was offered a taster of the difficulties he might face governing without a majority in the national assembly when pro-Correísta deputies voted with the opposition this week to summon the secretary general of the presidency, Eduardo Mangas, to testify in relation to a leaked audiotape on which he can be heard, *inter alia*, dismissing the national dialogue process organised by Moreno ("We are not going to compromise on anything, but we have to talk so that they feel heard").

But for now Moreno has the upper hand. He issued two executive decrees on 29 November requiring the CNE to proceed with organising the referendum on the grounds that the CC had not ruled on the constitutionality of the seven questions contained within it on time. He cited article 105 of the constitution establishing that if the CC fails to rule within 20 days of receiving referendum questions its verdict would be deemed to be favourable. The CNE accepted the validity of Moreno's executive decrees and announced that the referendum would be held on 4 February next year.

New blow to peace prospects

All the focus in Colombia in the final days of November was on the race to push through congress several key pieces of legislation to enact the peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc) before the expiry of the 'fast-track' mechanism. But in the first few days of December this focus switched to the peace process with the country's smaller guerrilla group Ejército de Liberación Nacional (ELN). Juan Camilo Restrepo, the head of the Colombian government's negotiating team with the ELN in Ecuador, resigned. And reports from Colombia's national ombudsman that the ELN is flagrantly violating the bilateral ceasefire suggest that, unlike the Farc, its internal cohesion is in doubt.

The transitional justice system (JEP) won final approval in congress on 30 November, paving the way five days later for an 11-member truth commission led by Jesuit priest Francisco de Roux to come into effect. President Juan Manuel Santos said the truth commission would not conduct a witchhunt but would rather be a powerful force for national reconciliation: "truth is an antidote against more cycles of violence". A senate vote on a bill to secure the reservation of 16 seats in the lower chamber of congress for areas of the country most affected by the armed conflict was shrouded in controversy. The senate president, Efraín Cepeda, ruled that it fell one vote short of the 50% support it required to pass but the government is mounting a legal challenge. Faced with an increasingly hostile congress, the government will also need to decide what to do with a number of peace-related projects that were not approved under fast track.

One step forward with the Farc peace process was offset by two steps backward with the ELN. Firstly, Restrepo resigned. He cited "professional and personal reasons" to Santos but speculation is rife that Restrepo was disillusioned with the lack of progress in the talks, 14 months after he was appointed to the role of chief negotiator, and that he felt undermined by Santos's authorisation of meetings between ELN negotiators and former president Ernesto Samper (1994-1998) and Senator Iván Cepeda away from the negotiating table, even though they apparently kept him abreast of their discussions.

Santos downplayed the significance of Restrepo's departure and insisted that a new team would be in place for the scheduled start of the fifth round of talks on 9 January. This is when the bilateral ceasefire is due to end. Its renewal is deeply problematic. The ombudsman, Carlos Negret, said on 5 December that the ELN had violated the ceasefire in the south-western department of Nariño and the north-western department of Chocó.

Thirteen people were killed in a confused incident in Nariño on 27 November when ELN guerrillas sought to disarm a group of local farmers supported by Farc dissidents. In Chocó, the ELN's western front is seeking to muscle in on former Farc-controlled territory and has clashed with the neo-paramilitary Clan del Golfo, which has similar intentions, as well as carrying out several attacks on the civilian population. In the most notorious incident since the ceasefire took effect on 1 October, ELN guerrillas kidnapped and later killed an indigenous leader in Chocó, Aulio Isarama Forastero, at the end of October, since when 1,142 indigenous people have been displaced.

Restrepo recently described the ELN's western front as the "thorn in the side of peace talks". It has not sent representatives to the negotiating table with the government in Ecuador, leading to speculation that the ELN central command (Coce) does not exercise control over its leadership.

ELN talks

The big challenge for Juan Camilo Restrepo's successor will be to keep the peace process with the ELN moving through the upcoming electoral campaign period. Whether enough progress can be made for negotiations to be concluded, or at least reach an irreversible stage, before President Santos leaves office in August is a moot point.

MAS downplays another electoral defeat

President Evo Morales and the ruling Movimiento al Socialismo (MAS) are once again on the defensive following Bolivia's second ever judicial elections on 3 December. The political opposition had called on the public to boycott the vote in protest at the recent decision by the plurinational constitutional court (TCP) to lift the ban on consecutive presidential re-election [\[WR-17-47\]](#). Accordingly, it is trumpeting as a victory preliminary results from the electoral authorities (TSE) which suggest spoilt ballots accounted for over 50% of the vote while some 15% of votes were left blank. As in the 2011 election - the first time such a selection process was determined by direct popular vote anywhere in the world - this high percentage raises credibility questions over the 26 top justices elected and also reignites doubts about the value of putting such a technical issue to a public vote.

Ahead of the first vote in 2011, President Morales had billed the election, a novelty of the 2009 plurinational constitution, as a ground-breaking attempt to overhaul the justice system and make it more representative. (Previously the appointments were made by the legislature, allowing the various political groups to appoint magistrates sympathetic to their causes). However, the 2011 vote effectively resulted in Morales's first electoral defeat since taking office in 2006 after nearly 58% of the electorate cast blank or spoilt votes (on turnout – which is compulsory - of some 80%) while the valid vote was some 42%. The opposition at the time claimed this as a victory, having sought to turn the election into a plebiscite on the MAS government, calling for the electorate to cast blank and spoilt votes in protest at unpopular policies. These included a failed attempt to scrap fuel subsidies in 2010 as well as the proposed road through an indigenous territory (Tioc) and national park, Isiboro Sécure (Tipnis), which resulted in a deadly police crackdown on indigenous protesters in September 2011 [\[WR-11-39\]](#).

Echoing the 2011 efforts to turn the vote into a plebiscite on the Morales government, opposition figures such as former presidents Carlos Mesa (2003-2005) and Jorge Quiroga (2001-2002) called for the public to boycott the 2017 vote - on this occasion as a means of registering discontent at the TCP's 28 November ruling. The ruling has sparked outrage given that the February 2016 referendum on whether to change the 2009 constitution to lift the ban on presidential re-election delivered a clear defeat for Morales. Recent opinion polls also suggest that it remains deeply unpopular: a survey published on 23 November by the local daily *Página Siete* showed 75% of the 800 respondents opposed indefinite presidential re-election compared with just 18% who were in favour.

With final results yet to be released for the nine-member supreme court (TSJ), the nine-member TCP, the five-member environmental court (TA), and the three-member council of magistrates (CM), the government is reporting that, with 81.5% of tally sheets counted, the 'spoilt vote' promoted by the opposition obtained 'little more than 50% of the total', while blank ballots accounted for 15%. However, the same results show the valid vote reached between 31% and 33% - significantly less than in 2011. As regards turnout, again final figures have yet to be released although on 4 December TSE Vice President José Luis Exeni, said that it was "higher than in 2011".

The MAS has sought to downplay the result, with party heavyweights such as Gabriela Montaña, the president of the chamber of deputies, attributing most of the blank and spoilt votes to the fact the electorate lacked knowledge of the candidates while just a "minimum percentage" were responding to the opposition's calls to boycott the vote.

US weighs in

On 29 November the US State Department issued a statement declaring itself "deeply concerned" by the plurinational constitutional court's decision "to declare inapplicable provisions of the country's constitution that prohibit elected officials, including the President, from serving more than two consecutive terms". It added: "The decision disregards the will of the Bolivian people as confirmed in recent referenda".

Economic impact

Following the arrest of the executives, the Peruvian press has reported that the value of the stocks of Graña y Montero, the country's largest construction firm, have fallen sharply in the local stock market (down by 4.49%) and in the New York Stock Exchange (down by 6.86%). This in turn has led institutional investors to divest from Graña y Montero. Based on data from Peru's banking and securities superintendence (SBS), the press found that local private pension fund administrators (AFPs) have reduced their holdings in Graña y Montero from 36.72% to 28.23%. All of this has contributed to a fall in the value of Graña y Montero's stocks by 73% in the past 14 months.

Odebrecht case enters critical new phase

A Peruvian judge has ordered the preventive detention of executives from five local firms partnering the Brazilian engineering company Odebrecht. They are suspected of being implicated in the corruption scheme through which Odebrecht paid bribes to Peruvian government officials in exchange for the award of state construction contracts. Among those detained pending further investigation are the heads of Peru's largest construction firms. There are now concerns about the negative impact that this will have on the country's domestic economy as well as the government led by President Pedro Pablo Kuczynski, who still faces questions about his suspected involvement in the case.

After months of investigations into the complex corruption scheme run by Odebrecht in Peru, on 3 December anti-corruption prosecutor Hamilton Castro requested the preventive detention of five new suspects in the case. These were executives José Graña, Hernando Graña, and Gonzalo Ferraro of the Graña y Montero firm; Fernando Camet of JJC Contratistas Generales; and Fernando Castillo of Ingenieros Civiles y Contratistas Generales SA (ICCGSA). Castro explained that he had gathered evidence suggesting that the executives who partnered Odebrecht to bid for projects in Peru were aware that the Brazilian firm was paying bribes to secure these bids. In particular, Castro said that evidence suggests that the Peruvian firms agreed to forgo part of the profits they were due to obtain from the concessions to build the Interoceánica Sur highway to Odebrecht in compensation to the Brazilian firm for its payment of a US\$20m bribe to the government led by former president Alejandro Toledo (2001-2006).

Castro said that the evidence consisted of testimony provided by former Odebrecht executive Jorge Barata and records from the companies that confirm that they agreed to forgo some US\$15m in profits in favour of Odebrecht. "Forgoing profits is allowed, but doing so to cover up illegal activities is not," Castro concluded. Judge Richard Concepción Carhuacho approved Castro's request to place the five suspects under preventive detention for 18 months while they face investigation for money laundering and collusion. Concepción's decision produced instant shockwaves given the high-profile of the individuals in question, who are among Peru's most recognised businessmen, and amid concerns about what this could mean for their firms (*see sidebar*). But there was also speculation that Concepción's decision had political undertones.

This speculation revolves around the notion that the move against the executives was designed to ease the pressure brought to bear on the attorney general, Pablo Sánchez, by the main centre-right opposition Fuerza Popular (FP) party over the public ministry's perceived foot dragging in the Odebrecht investigations. The FP majority bench in congress threatened to impeach Sánchez for dereliction of duty shortly after he re-opened investigations into whether its leader, Keiko Fujimori, received illegal campaign financing from Odebrecht [[WR-17-46](#)].

Concepción publicly denied that his decision was linked to the moves against Sánchez (who he has backed). However, the FP claimed that the arrests were a direct response to these moves. Some in the FP said they hoped this might motivate President Kuczynski to agree to meet the FP-controlled congressional commission investigating the Odebrecht case to answer questions about his links to the firm. Kuczynski has repeatedly refused to meet with the commission on the grounds that this was nothing more than an attempt by the FP to undermine his office and tarnish his image. Yet there is now a possibility that the arrested executives could provide further incriminating evidence against others implicated in the Odebrecht corruption, potentially including Kuczynski himself.

Piñera scores own goal ahead of second round

The campaign for the second round of the presidential election on 17 December is shaping up as one of the most polarising in Chile's recent history. Sebastián Piñera, the presidential candidate of the right-wing coalition Chile Vamos, claimed this week that his run-off opponent, Alejandro Guillier of the left-wing coalition Nueva Mayoría, had benefitted from electoral fraud in the first round, along with the third place candidate Beatriz Sánchez. His comment backfired. Sánchez, hitherto mealy-mouthed, accused Piñera of stooping unacceptably low and announced that she would vote for Guillier. This could swing the election away from Piñera. Two separate opinion surveys published this week had already suggested the second round was a dead heat. Guillier, meanwhile, has shifted to the left and started employing rhetoric reminiscent of pre-coup Chile in the 1970s.

In a radio interview on 4 December Piñera responded to a question about why he underperformed in last month's first round compared with the findings of opinion surveys by denouncing irregularities benefiting Guillier and Sánchez. Piñera said he had been reliably informed that some ballot papers had been "pre-marked" in favour of his two rivals. Piñera later tried to backpedal, saying that he had not meant to cast doubt on the result, but by then the damage had been done. His comment has polarised the second round, giving it a similar complexion to that in Peru last year when all the country's political parties, some begrudgingly at first, rallied behind Pedro Pablo Kuczynski to oppose Keiko Fujimori.

"Chile has an international prestige for correct and transparent elections," President Michelle Bachelet said in response to Piñera's comments. "Be responsible and don't discredit our democratic institutions". Guillier echoed her words more vociferously. The electoral authority (Servel) said it had received no reports of irregularities and urged "all candidates [read Piñera]" to act with "responsibility, restraint, and prudence". But, most importantly, Sánchez climbed down from the fence. Just days earlier her radical left-wing Frente Amplio (FA) coalition had stopped well short of endorsing Guillier, with Sánchez saying he had been "ambiguous" (see sidebar). Piñera's comments, however, had "crossed a line", Sánchez said, "and for this reason I will vote for Alejandro Guillier".

Sánchez said it was a personal decision to endorse Guillier and her party would provide opposition to whoever won. But Guillier gratefully grasped it. "I appreciate your support enormously and the unity to construct a more just Chile," he promptly tweeted. Her endorsement could make all the difference as two opinion surveys published shortly beforehand had already showed Piñera's lead from the first round having been slashed. Cadem put Piñera on 40% and Guillier on 38.6%; Criteria Research, 47%-45%. More than 20% in both polls were still undecided.

Guillier, meanwhile, has gone all out to court FA supporters, while risking alienating moderate centrist voters. "We will put our hands in the pockets of those concentrating wealth to help make our country great again, protecting its youth [to fund free education for all]," Guillier said this week at a major rally in Concepción, the capital of Bío Bío region, while underlining his commitment to end the guaranteed university student loan scheme (CAE) and pardon the debt of the 40% poorest enrolled in it. Guillier ended his speech with the loaded phrase of Che Guevara, 'Hasta la Victoria, siempre'. Chile's most prominent businessman Andrés Luksic swiftly tweeted a response: "You don't make our country great by generating hatred, class warfare, and division".

FA and Guillier

The FA formally decided on 30 November to duck the issue of endorsing Alejandro Guillier after internal discussions involving its 14 constituent parties and movements. "We are not owners of the people's votes and for that reason our first call is for each of our voters to reflect and express at the ballot box in the second round their own convictions and analysis," Beatriz Sánchez said at the time. She said voters wanted "more clarity on whether the Nueva Mayoría would eliminate the AFP [the private system of pension providers], whether not-for-profit quality education would be guaranteed, and whether the country would be democratised with a constituent assembly..."

Electoral poll brings out stark societal divides

Former president Lula da Silva (2003-2011) from the leftist Partido dos Trabalhadores (PT) still has the largest show of voter support ahead of the 2018 election, according to the latest survey by pollster Datafolha. But he also has some of the highest rejection rates. This could play into the hands of the ultra-right Jair Bolsonaro from the Partido Social Cristão (PSC), who has fashioned himself as an 'anti-Lula' candidate.

The two rival candidates embody Brazil's sharp socioeconomic and geographical divides. While Lula's support base is mainly concentrated in poorer north-eastern states, Bolsonaro's stomping ground is the wealthier south. To try and offset such differences, Lula is bringing his campaign tour to the southern states of Espírito Santo and Rio de Janeiro later this week. In the latest 2018 election poll, Lula is in the lead with 34% of voter intentions. He is followed by Bolsonaro with 17% and Marina Silva from the environmental party Rede Sustentabilidade (Rede) with 9%.

Centrist candidates suffer from identity crisis

Centre-right candidate Geraldo Alckmin, from the Partido da Social Democracia Brasileira (PSDB), is trailing in fourth with just 6% of voter intentions. The poll comes as the PSDB grapples with a crisis of identity. Party members remain deeply divided over its alliance with the unpopular Partido do Movimento Democrático Brasileiro (PMDB) government.

Voters appear to be indifferent about which PSDB candidate runs in the general election. The party's performance would be similar if São Paulo mayor João Doria took Alckmin's place, the poll found. However, Alckmin has won an important political victory over Doria after being nominated as the PSDB's next party president.

Meanwhile, Doria's popularity is fading with time, suggesting the novelty factor of this TV-star-turned politician has worn off. Almost a year since he came to office, his disapproval ratings tripled from 13% to 39%, found Datafolha. Now, after his first year in office, his popularity is on a par with that of his rival, former PT São Paulo mayor Fernando Haddad (2013-2017).

Alternative scenarios

The electoral race is still very much up in the air. Lula could be barred from running if an appeals court upholds his conviction for corruption charges. In that case, Haddad would seem to be the most likely substitute for the PT. Without Lula, the poll found that Bolsonaro would come out on top with 21% of voter intentions followed by Marina Silva with 16%. Another candidate who would benefit from Lula's absence is leftist rival Ciro Gomes from the Partido Democrático Trabalhista (PDT) party, with 12%.

Haddad would fare far worse in the polls. He would have a paltry 3% share of voter intentions. This means he is technically tied with newcomer Manuela D'Ávila (with 2%), representing the Partido Comunista do Brasil (PCdoB). Notably, this is the first time the PCdoB has fielded its own candidate rather than backing the PT in almost three decades.

Aside from the question of whether or not Lula can run, another unknown is who, if anyone, will represent Brazil's biggest party, the PMDB. One possible contender is the market-friendly finance minister, Henrique Meirelles. But his candidacy has proven more popular with foreign investors than Brazilians. Currently, he has 1%-2% of voter intentions, the poll found.

Consumer confidence soars in Brazil

Consumer confidence has reached its highest level in over three years, according to a survey by academic institution Instituto Brasileiro de Economia Fundação Getúlio Vargas (Ibre/FGV) on 28 November. The FGV's index of consumer confidence rose 3.1% in November to its best level recorded since October 2014. Falling inflation and interest rates have helped improve family finances and spending power, economist Viviane Seda Bittencourt said in an interview with newswire Agência Brasil.

Growth picks up

Brazil's economy grew for the third consecutive quarter in the third quarter following the worst recession in the past 10 years. GDP increased by 1.4% in the three months up to September compared to the same time last year, according to the national statistics institute (Ibge).

Brazil's quarter-on-quarter growth in the third quarter was 0.1%. Finance Minister Henrique Meirelles argued that while this figure appears low, a sector-by-sector breakdown shows it is not as disappointing as it seems. Leaving aside the agriculture and fishing sector, which fell due to seasonal variation, the quarter-on-quarter growth would be 1.1%, Meirelles contended. While the agriculture sector fell by 3%, the industry and services sectors grew by 0.8% and 0.6% respectively.

Overall, the third quarterly GDP figures make for positive reading. Investment has risen thanks to low interest rates, and consumer spending is on the rise as the economy recovers. "This should be the best Christmas in the last few years," Meirelles tweeted.

For the whole of 2017, Brazil's economy is expected to grow by 0.89%, according to the latest weekly forecast from analysts at Brazil's central bank (BCB) following the release of the third quarter results. This has been revised upwards slightly from last week's estimate of 0.73%. The outlook for 2018 also looks brighter. BCB analysts expect GDP to rise to 2.60%, up from the previous estimate of 2.58%.

Nevertheless, challenges remain. Brazil is still struggling to control the fiscal deficit, and excessive red tape could impede further economic growth. Since he came to power in August 2016, President Michel Temer has made some headway in addressing both these challenges, by pushing through a public spending cap for the next 20 years and approving a labour law to make it easier for companies to hire and fire workers. Furthermore, the government has cut the bloated public sector as part of its belt-tightening initiative by laying off over 26,000 employees from state-owned companies, according to a statement from the ministry of planning issued on 4 December.

Another austerity measure to trim the deficit by reducing pensions pay-outs is still pending in congress. As Brazil edges closer to its congressional recess on 22 December, this is looking less likely to pass. Moreover, legislators are not willing to risk losing their seats ahead of the 2018 general election by voting for an unpopular measure.

The government's attempts to sell the pensions reform to everyday citizens have also failed to convince. Temer was thrown a curveball on 30 November when a judge ordered the suspension of the government's pensions propaganda campaign launched ahead of the congressional recess. Days later, unions staged protests across various states to oppose any changes to the welfare system.

Meanwhile, Temer's popularity is still rock bottom, according to opinion polls. The latest survey by Datafolha showed 5% of Brazilians approved of his administration in December. A separate Ibope survey published in September put his approval rating at 3%. Government advisers hope Temer's popularity will improve in the next few months when Brazilians begin to feel the effect of the economic recovery.

Marina Silva throws her hat in the ring

Brazilian activist

Marina Silva

announced she will run for leftwing party

Rede

Sustentabilidade

(Rede) in next year's

general election. This

is the third time she

will be running for the

presidency. So far,

however, she has

never made it

through to the

second round run-off.

This year, the

straight-talking

politician will be

hoping to make a

comeback by

capitalising on voter

disenchantment with

more established

rivals tainted by a

string of corruption

scandals.

Border investment

On 30 November the Uruguayan and Argentine governments announced plans to invest US\$10m in their shared customs and border crossing control facilities. The announcement was made by the foreign ministers of both countries after they chaired a meeting of the bilateral border development commission (Codefro). They said that the two governments had agreed to invest, from 2019, US\$6m to upgrade the control facilities at Fray Bentos in Uruguay's Río Negro department and US\$4m to upgrade the control facilities at Paysandú, the capital of Uruguay's eponymous department. The ministers added that the improvements would triple the operational capacity at these two border crossings and help make the seamless movement of goods across the shared border "a reality".

ARGENTINA | Industrial activity. Argentina's national statistics institute (Indec) reported this week that industrial activity in the country increased by 4.4% in October compared with the same month last year. The increased activity registered in October also means that industrial activity in Argentina has now registered six consecutive months of positive growth, suggesting that the sector has fully recovered after Argentina fell into economic recession last year.

The Indec figures show that there was increased activity in virtually all industrial sub-sectors led by the key automotive sector, which exhibited a 25.6% increase in activity, the tobacco sector (17%), and the non-metallic mining sector (16.5%). The only sub-sectors with negative levels of activity were the food industry sub-sector (-1.1%) and the oil refining sub-sector (-13.1%).

In further positive news for Argentina's industrial sector, local firm Cleanergy Renovables, announced on 6 December that it will be investing US\$10m in the construction of two new biogas-powered electricity production plants in the province of Córdoba with an installed capacity of one Megawatt (MW) each, enough to supply electricity to 6,000 households. A company statement said that construction of the plants is set to begin in mid-2018 with a view to the plants coming on stream by 2019.

BRAZIL | Mayor sentenced for corruption. A Brazilian judge has sentenced Lidiane Leite, former mayor for the Bom Jardim municipality in the north-eastern state of Maranhão, to over 14 years in prison, followed by six years of house arrest. The ruling is subject to appeal. Leite, nicknamed the 'mayor of ostentation', is accused of embezzling public funds. She allegedly siphoned off some R\$15m (US\$4.6m) from the education budget, while some school children in the poor municipality were left without meals.

Leite's behaviour began to attract attention after posting about her luxury lifestyle and well-kitted wardrobe on social media then hosting blow-out boat parties, all of which seemed incompatible with her modest state salary.

Leite was elected mayor of Bom Jardim in 2012 for centre-right party Partido Republicano Brasileiro (PRB). She chose to run at the last minute instead of her former partner Humberto 'Beto Rocha' Dantas, who had been barred from re-running under Brazil's 'Clean Slate Law'. Once elected, Leite proceeded to nominate her erstwhile lover as municipal secretary for political affairs. Dantas has since been sentenced to over 17 years and nine months in prison followed by seven years of house arrest. He is a fugitive from justice.

BRAZIL | Former minister pursued for corruption. Brazil's attorney general's office (PGR) has accused a former minister of government, Geddel Vieira Lima (May-November 2016), and his brother Lúcio Vieira Lima, a federal deputy for the ruling Partido do Movimento Democrático Brasileiro (PMDB), of money laundering and criminal association.

Police began investigating the duo after finding their fingerprints on suitcases containing R\$51m (US\$15.72m) in cash in an apartment in Salvador in Bahia state. The origin of the money has not yet been confirmed, but prosecutors are investigating whether this may constitute bribes from the Brazilian engineering company Odebrecht, kickbacks from black-market dealer Lúcio Funaro, or illicit transfers from other PMDB politicians. "It seems implausible that someone would hide such an absurd quantity of money unless they wanted to conceal its existence," read a report by the federal police.

PARAGUAY | Growth up. Paraguay posted GDP growth of 3% year-on-year in the third quarter of the year, the central bank (BCP) reported this week. The third quarter result brings accumulated growth rate for the year to 3.8% and the BCP noted that this puts the country on course to reach (and potentially exceed) the bank's year-end forecast of 4.2%. A BCP report noted that the third quarter growth rate marked a return to dynamism for the domestic economy which posted growth of just 1.1% in the second quarter after registering growth of 7.1% in the first quarter. The report attributes the pick-up in the third quarter to increased levels of activity in the key agricultural sector, which underperformed in the second quarter.

The positive third quarter results led local analysts to increase their year-end growth forecasts to 4.5% from 4% previously. On the downside, the BCP conceded that year-end inflation is now set to come in above its target of 4% for the first time since 2011 after year-on-year inflation in November reached 4.6%.

Buen Fin disappoints

On 5 December Mexico's national confederation of trade, service, and tourism chambers (Concanaco) reported that the volume of sales reported during the 'Buen Fin' sales event this year reached M\$92.7bn (US\$5.1bn). The Buen Fin is a government-sponsored nationwide event akin to the US's Black Friday which has been held over a weekend in November every year since 2011 as a way of stimulating domestic economic consumption. The event has largely been considered a success. But Concanaco noted that the public's participation in this year's event was affected by the earthquakes that shook Mexico in September; and that although total sales were 4% higher than last year for the first time these fell below the sector's expectation of M\$100bn.

MEXICO & NAFTA

MEXICO | POLITICS

Meade coronation ignites presidential contest

José Antonio Meade registered as a presidential pre-candidate for the ruling Partido Revolucionario Institucional (PRI) at a large gathering of senior party officials and members on 3 December. The fanfare surrounding the event confirmed that Meade will not face an internal challenge. Meade's unopposed ascension to the PRI candidacy has put the opposition coalition Frente Ciudadano por México (FCM) on the back foot. The PRI, however, sees Meade's main rival as being the maverick leftist Andrés Manuel López Obrador, who grabbed headlines at the weekend by mooted the offer of an amnesty to leaders of drug trafficking organisations (DTOs) in order to try and improve the parlous public security situation in Mexico.

The PRI has pointedly eschewed primary elections throughout its history, allowing an outgoing head of state to select his heir. A dissident wing of the PRI, spearheaded by Ivonne Ortega, a former governor of the south-eastern state of Yucatán (2007-2012), had pushed for more openness and the staging of internal elections in recent months. But Ortega bowed to the inevitable on 2 December and pledged her support for Meade.

The advantage of the PRI's modus operandi is that dirty laundry is not aired in public: infighting over the presidential candidacy has plagued the PRI's rivals in the past and is threatening to split the FCM now. Presidential pre-candidates have to register by 14 December but the right-wing Partido Acción Nacional (PAN), the left-wing Partido de la Revolución Democrática (PRD), and leftist Movimiento Ciudadano (MC) remain divided over the matter. The FCM could fall apart if no agreement can be reached by 9 December when the PRD party president, Alejandra Barrales, steps down.

Dante Delgado, the MC party president, argued this week that the PAN, by virtue of its electoral results in 2015 and 2016, and its number of state governors, should provide the FCM's presidential candidate. This was interpreted as support for the presidential aspirations of his PAN peer Ricardo Anaya. Delgado argued that the PRD should supply the candidate for the head of government of the Ciudad de México (CDMX), most likely Barrales, while the incumbent head of the CDMX, Miguel Ángel Mancera, should be president of the federal senate (if the FCM comes to power). Quotas for candidates in the federal lower chamber of congress and senate, and for 30 local elections, will also need to be thrashed out.

Other presidential aspirants within the FCM have insisted that the coalition must embrace internal democracy to decide upon its key candidates, and several members of the PRD condemned Dante's proposal as precisely the sort of crude sharing out of power employed by the PRI. Mancera was backed this week for the FCM presidential candidacy by the PRD governors of Michoacán and Morelos, Silvano Aureoles and Graco Ramírez, respectively.

While the FCM teeters on the brink of self-destruction, the PRI can swing into full campaign mode. All the great and the good turned out for Meade's registration, including the interior minister, Miguel Ángel Osorio Chong (providing confirmation that he had set aside his own presidential ambitions), several other cabinet ministers, and the party's state governors. Meade used the occasion as an unofficial campaign launch. He said he was seeking the presidency "for the love of Mexico" and promised to strain every sinew to turn Mexico into "a world power" if he is elected.

Petrol

On 30 November the petrol fuel price liberalisation programme, launched in January as part of a wider energy reform, concluded after all government price controls were lifted and prices were liberalised all over the country. In announcing the conclusion of the programme, which took place one month before planned, the head of the federal energy regulation commission (CRE), Guillermo García Alcocer, reiterated that the gradual liberalisation process had been a success as there had not been any large fluctuations in prices, as had been feared by some sectors. García noted that while there had been some “somewhat irresponsible” comments that prices could increase sharply as a result of liberalisation, “there are currently no elements showing that this is the case”. Nevertheless, the finance ministry said it would continue to “cushion any abrupt variations in [oil] reference prices and the exchange rate”, via its weekly special tax on production and services (IEPS) on oil fuels throughout 2017 and 2018.

Meade took a couple of potshots at López Obrador, the current frontrunner standing for the radical left-wing Movimiento Regeneración Nacional (Morena).

“I will be on the side of the victims not the murderers,” Meade said, an indirect reference to López Obrador’s comments a day earlier during a rally in Chilapa, a municipality in the south-east of the state of Guerrero which has been immersed in a violent turf war between two rival criminal gangs – Los Rojos and Los Ardillos – for control of the local opium poppy production and distribution trade. López Obrador had proposed an amnesty for leaders of DTOs as a means of reducing the escalating violence in Mexico.

López Obrador’s proposal was widely criticised but he made it in the same week that the foremost international, regional, and national human rights bodies savaged a bill sent by the government led by President Enrique Peña Nieto to congress to provide a legal framework for the armed forces to participate in domestic public security. The bill is presently in the senate having been approved by the lower chamber last week.

Peña Nieto had promised to beef up the police and send the armed forces back to their barracks when he took office after his predecessor Felipe Calderón (2006-2012) had deployed them against DTOs over a decade ago. In a letter addressed to federal senators, Jan Jařab, the representative of the United Nations Office of the High Commissioner for Human Rights (OHCHR) in Mexico, stressed that this would be the best course of action. He argued that the bill “would not provide real solutions to confront the enormous security challenges facing the country, it would strengthen the status quo, and reduce incentives to professionalise civil institutions when the military has not reduced violence”.

The Inter American Commission on Human Rights (IACHR) released a statement urging the government to “avoid the militarization of public security [and] strengthen the police”. It warned about the potential for “serious violations of human rights” highlighting “cases of extrajudicial executions, torture, and forced disappearances, as well as higher levels of impunity” since the military was unleashed against the DTOs by the Calderón administration. For its part, Mexico’s national human rights commission (CNDH) argued that the bill’s “ambiguous application” would allow the military a free hand, not accountable to civilian authorities, and affect the balance of powers by allowing the executive to use it “discretionally against any human activity classified as a risk to internal security”.

TRACKING TRENDS

MEXICO | Baja electric self-sufficiency. Jaime Hernández, the general director of Mexico’s federal electricity commission (CFE), the country’s electricity market regulator, said on 30 November that the new ‘Baja California III’ electricity generation plant would allow the state of Baja California to become self-sufficient in electrical power.

Speaking at the inauguration of the US\$270m natural gas/oil fuel combined cycle plant built by Spanish firm Iberdrola in the Baja California city of Ensenada, Hernández said that, with an installed capacity of 314 megawatts (MW), the plant could supply electricity to 40% of Baja California’s population (3.31m). Hernández added that this would result in the border state no longer having to import electricity from the US.

Hernández noted that the development of the new plant was made possible partly thanks to Mexico’s 2013-2014 energy sector reform, as this provides increased incentives for private electricity generation firms to supply electricity to the newly liberalised market. Hernández said he expected more firms would now seek to follow Iberdrola’s lead and build new electricity generation plants around the country and in Baja California, “which could soon start to export electricity to [the US state of] California”.

Electoral crisis deepens**What happened to Nasralla's lead?**

The TSE has not accounted for the anomaly of how a five-percentage point lead for Salvador Nasralla after 57% of the vote had been counted, a lead described by one of its own magistrates as “irreversible”, could have been overturned. President Hernández said he was always confident of a big swing in the results because his party had recorded a significant advantage for him among rural voters whose ballots were counted last.

There is no end in sight to the disputed presidential elections in Honduras. After a tortuously slow count the supreme electoral tribunal (TSE) finally revealed that at the end of the count President Juan Orlando Hernández had won some 50,000 more votes than his chief rival Salvador Nasralla. Hernández appeared intent on riding roughshod over opposition protests denouncing electoral fraud, declaring a state of emergency and a 10-day dusk-to-dawn curfew. But after part of the police refused to enforce it, Hernández was compelled to acknowledge some concerns. The general secretariat of the Organization of American States (OAS) argued that unless “irregularities” were satisfactorily cleared up it could recommend “a new call for elections”.

The TSE revealed that President Hernández, of the ruling Partido Nacional (PN), had won 42.98% of the vote to 41.39% for Nasralla, of the Alianza de Oposición contra la Dictadura. It stopped short of declaring Hernández to be the winner, however, pending conclusion of an appeal process.

Nasralla initially demanded a recount of 5,174 voter tally sheets, nearly 30% of the total. He was supported by the head of the OAS electoral observation mission (EOM) in Honduras, Bolivia's former president Jorge Quiroga, who said the tally sheets should be revised. Upon presenting the EOM's preliminary report, Quiroga stressed that “the narrow margin of the results as well as irregularities, errors and systemic problems that have surrounded this election preclude the mission from being certain about the results”.

Quiroga went on to argue that “the only way the Honduran people will accept and recognise the victor in this electoral process is if an accord is reached between the two main candidates”. Such an accord does not look imminent. Nasralla was emboldened to demand a full recount of the vote by an international body after hundreds of anti-riot police (Cobra) and other police officers refused to enforce the curfew declared on 1 December and crack down on protesters, staging a “crossed arms strike” while calling on the country's politicians to resolve the matter themselves.

Some police officers even went on to the streets to demonstrate their rejection of the order, applauded by protesters. Nasralla, meanwhile, appeared to advocate an insurrection by urging “all members of the armed forces to rebel against your bosses”, while addressing supporters with troops looking on.

The police rebellion forced Hernández to appear more amenable. Hernández said he had “no problem” with a review of the voter tally sheets “one, two, three, however many times” within “a legal framework”. Meanwhile, his government sought to buy off the police, downplaying the revolt as a dispute over pay and a Christmas bonus. Hernández announced an advance in the payment of bonuses and promised better salaries and housing. The police agreed to resume their duties but maintained that their protest was not about wages and that they would not repress the population. The government subsequently lifted the curfew in half of the country's 18 departments.

Meanwhile, the general secretariat of the OAS released a statement on 6 December saying that the EOM had raised concerns about the “lack of guarantees and transparency, as well as the accumulation of irregularities...that have surrounded this electoral process”. The statement criticised the curfew

PL backs Nasralla

The presidential candidate of the opposition Partido Liberal (PL), Luis Zelaya, who finished a distant third in the presidential elections, has supported Salvador Nasralla's claim of electoral fraud. "In our count, with the tally sheets that we have, Salvador Nasralla won," Zelaya said. "I appeal to the TSE to face the music and say who won the elections; it is not for the PL to do it but the TSE."

which it described as "disproportionate...in the face of demonstrations that took place following the already denounced irregularities" and requested "the immediate lifting of these measures".

The OAS statement called for "an exhaustive and meticulous process of verification [to] determine the existence or not of an electoral fraud", making a series of recommendations, including revision of the 5,174 tally sheets not transmitted on the night of the election, and a review of voter participation in Lempira, Intibucá, and La Paz, checking 100% of the polling stations in each of the departments. The statement concluded by saying that the OAS could advocate the staging of fresh elections "if the existing irregularities prove to be of such an extent that it makes it impossible for the process to provide certainty and security in the recount".

Hernández has ostensibly accepted the recommendations by the OAS but there is a strong chance he will change his mind if it looks like the election is going away from him. The Honduran political establishment has shown itself to be remarkably impervious to international opinion in the past. When Nasralla's chief supporter, former president Mel Zelaya (2005-2009), was ousted in a coup and flown into exile by the military in 2009, the de facto president who succeeded him, Roberto Micheletti, resisted all international pressure brought to bear on him.

COSTA RICA | POLITICS

'Cementazo' claims another casualty

At the end of last week President Luis Guillermo Solís confirmed the resignation of his deputy finance minister Fernando Rodríguez. He is the latest public figure to step down over the so-called 'Cementazo' – corruption cases which came to light in recent months involving the Costa Rican subsidiary of the Chinese cement exporter, Sinocem Costa Rica, and top public officials [WR-17-41]. Rodríguez's departure comes as the latest poll by the Universidad de Costa Rica's centre for research and policy studies (Ciep) indicates the impact of the scandal on public opinion and its resultant damage to the credibility of the country's official institutions ahead of the February 2018 general election.

The 1 December announcement regarding Rodríguez's resignation came amid local media reports that his office and home had been searched by the attorney general's office. The media also reported that, in testimony before the legislative commission set up in August to investigate the case, the former head of customs Benito Goghi had suggested that Rodríguez had intervened on behalf of Sinocem's president Juan Carlos Bolaños after a shipment of cement incurred problems entering the country. Bolaños was arrested last month and is currently being held in prison on a preventative basis.

The resignation of Rodríguez, which was a demand of both the private sector lobby, Unión Costarricense de Cámaras y Asociaciones del Sector Empresarial Privado (Uccaep), and the presidential candidate for the ruling Partido Acción Ciudadana (PAC) Carlos Alvarado, follows the departure of other high-level officials.

In October the attorney general, Jorge Chavarría Guzmán, was suspended as part of investigations into why his office omitted to present a key report for an influence-trafficking case involving Sinocem Costa Rica, which was then dismissed. A supreme court (CSJ) justice, Celso Gamboa, has also been suspended over the case which has similarly implicated politicians. These include Víctor Morales Zapata, formerly of the PAC but now an independent;

Race wide open
The Ciep survey showed that 37% of respondents remain undecided as to who they should vote for in the February 2018 general election. The pollster argued that the uncertainty reflects widespread disillusionment with the political class which has intensified due to the 'Cementazo'.

Víctor Hugo Víquez, a former deputy for the main opposition Partido Liberación Nacional (2010-2014), who was forced to abandon his candidacy for a legislative post last month; and Otto Guevara, the presidential candidate of the small right-wing opposition Movimiento Libertario (ML) party.

Impact

The Ciep's most recent survey on voting intentions released on 22 November suggests the 'Cementazo' case could impact the election result. According to the poll, which interviewed 1,212 people nationwide, 88% of respondents had heard of the case with 50% claiming that their view of the judiciary had worsened as a result, followed by 46% who mentioned the government, and 39% who named President Solís. As regards the political parties, 31.4% said that their opinion of the PLN had worsened as a result of the scandal, followed by the ML (28.8%) and the PAC (27.7%).

The Ciep survey showed the two leading candidates, Antonio Alvarez (PLN) and Juan Diego Castro of the small conservative Partido Integración Nacional (PIN), tied on 15%, while Rodolfo Piza of the opposition Partido Unidad Social Cristiana (PUSC) was third on 11% (the error margin was ± 2.8 percentage points). Fourth, with 5%, was Rodolfo Hernández of the Partido Republicano Social Cristiano (PRSC), followed by the PAC's Alvarado on 4%.

Of the three main candidates, Castro has undoubtedly benefited most from the scandal, rising two percentage points in the polls while Alvarez is down five percentage points and Piza's position is unchanged.

TRACKING TRENDS

DOMINICAN REPUBLIC | Camipe concerns. The president of the Dominican Republic's mining and oil chamber (Camipe), José Sena, expressed concerns on 5 December that the country is becoming increasingly unattractive to investors in the mining sector due to the lack of an adequate legal framework and infrastructure development.

Speaking at a business seminar held in the capital Santo Domingo, Sena said that the mining sector employs 11,000 people in the Dominican Republic and generates around US\$1.4bn in revenue for the state each year. However, Sena noted that despite this the Dominican authorities have failed to make the necessary infrastructure spending in support of the sector or provide sufficient legal guarantees to protect investments in the sector.

Sena went on to call on the Dominican government to "protect the social and economic benefits generated by mining by making more of an effort to create adequate and improved conditions to guarantee existing mining operations and encourage new investment in the sector".

GUATEMALA | Budget. Guatemala's unicameral national legislature failed to approve a 2018 national budget on 30 November, the constitutional deadline for doing so. This means that the 2017 national budget for Q76.98bn (US\$10.5bn) will be rolled over to next year.

The outcome is a blow for the government led by president Jimmy Morales, which had submitted a Q84.6bn draft budget to the legislature back in September. However, this proposed budget failed to secure the necessary support of the political opposition, which considered the proposal to be underfunded and lacking effective oversight measures.

The failure to approve a budget for 2018 was lamented by Finance Minister Julio Héctor Estrada, who said that this would severely affect the government's capacity to fulfil its economic plans next year. In particular, Estrada said that, as a result of the outcome, the government would have to contain public spending next year "which will strongly affect economic activity".

Quotes of the week

“There is no justice in Venezuela today, just passing the buck in a political war between pranes [gang leaders] who run the country.”

Venezuelan opposition deputy Juan Guido during a debate in the national assembly about the country's economic crisis and the internal war within the ruling Bolivarian movement.

“I believe in hunger to serve, not hunger for power.”

Mexico's José Antonio Meade takes a swipe at Andrés Manuel López Obrador, the frontrunner in the presidential race, while registering to run for the PRI.

“Never in the Republican history of Chile has a presidential candidate dared to say that voters are not trustworthy, that polling station supervisors provided no guarantee, that the armed forces colluded to conceal the popular will.”

Chile's Alejandro Guillier, the presidential candidate of the left-wing coalition Nueva Mayoría, lashes out at his rival Sebastián Piñera for impugning the first round election result.

Venezuela's Maduro experiments with cryptocurrency

Venezuela's President Nicolás Maduro announced on 3 December the creation of a new cryptocurrency, which he christened 'El Petro', to carry out financial transactions abroad and circumvent the "financial blockade" on the country. Economic sanctions imposed on his government by the US and other countries have affected Venezuela's ability to make payments on its outstanding international debt and contributed to the country and the state-owned oil firm PdVsa falling into partial default.

Speaking on *Los domingos con Maduro*, his weekly television show, President Maduro said the Petro would "help us to progress towards new forms of international financing for economic and social development". Setting the Petro apart from all other cryptocurrencies, Maduro said that the plan was for it to be backed by Venezuela's "oil, gas, gold, and diamond wealth". Cryptocurrencies were created as a purely virtual currency, a digital asset designed to work as a medium of exchange, not backed by physical assets, and completely decentralised. They are not regulated and are independent from governments and central banks (if the Maduro government goes through with its plans to create the Petro, it will be the first country to have its own cryptocurrency).

All this has sparked speculation that the real objective behind the launch of the Petro is to take advantage of the current popularity of cryptocurrencies such as Bitcoin in an attempt to attract investment to Venezuela to prop up its collapsing economy. The opposition-controlled national assembly released a report on 5 December which noted that Venezuela's economy has been in recession since 2014 (since when the Maduro government has stopped releasing economic data). It calculates that GDP has contracted by 12% in the first nine months of this year compared with last year, with a marked fall in production, a lack of access to foreign currency, and hyperinflation.

The Petro's prospects, should it actually take shape, are not encouraging. The Bolívar is tied to Venezuela's natural resources and this has not stopped it plummeting in value. Confidence in currencies reflects confidence in governments and economic systems. Venezuela lacks either. "You can build it, but trust, acceptance, and use are what will determine the success of a cryptocurrency. For me these are quite limited," Henkel García, the director of Venezuelan economic consultancy Econométrica, said in an interview with Colombian daily *El Tiempo*.

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