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THEDIALOGUE

FEATURED Q&A

Has Bloodshed Spoiled the PRI's Election Gains?

The ruling Institutional Revolutionary Party (PRI) won the biggest share of the votes, or about 30 percent, in the Chamber of Deputies. // File Photo: Mexican Government.

Q The Institutional Revolutionary Party (PRI) of President Enrique Peña Nieto and its allies on Sunday retained control of the country's Congress in legislative elections. What will the PRI do with its majority in Congress? What do the results mean for Peña Nieto's agenda? What message should be taken from the victory of independent gubernatorial candidate Jaime Rodríguez Calderón in Nuevo León state? Does the election's relatively low voter turnout, and the killings of some candidates and sporadic violence leading up to the election, diminish the PRI's victory in a meaningful way?

A Andrés Rozental, member of the Advisor board, president of Rozental & Asociados in Mexico City and senior policy advisor at Chatham House: "The gubernatorial and legislative elections halfway through President Peña Nieto's administration were characterized by lots of very dirty campaigning, sporadic yet noteworthy acts of violence and murder, as well as by continued in-fighting within several of the main political parties. A national debate primarily in social media and the chattering classes on whether spoiling ballots was a legitimate way of protesting against government policies and political parties drew much media attention, together with the successful attempt by an independent candidate to win the governorship of Nuevo León. All in all, it was a depressing demonstration of a still-immature democracy trying to push ahead in spite of numerous attempts by varied groups and individuals to derail the process. The PRI's majority in Congress--in coalition with the Greens and Nueva Alianza—means that Peña Nieto will be able to continue to make progress on the remaining issues in

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TODAY'S NEWS

POLITICAL

Guyana Protests Venezuela's Territorial Decree

Guyana's government on Monday protested a recent decree by Venezuela in which the Andean nation extended its maritime claim to include an offshore oil discovery by ExxonMobil.

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ECONOMIC

Cuba, Paris Club Negotiators Agree on $15 Bn Debt

Cuba's government and the Paris Club creditor nations agreed on the debt total stemming from the Caribbean country's 1986 default. The deal is seen as a major step toward Cuba's rejoining the global economy.

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ECONOMIC

Jamaica Sees 5% Rise in Tourism

The Caribbean country experienced an increase in tourism over the 2014-15 winter season, and Tourism Minister Wykeham McNeill said a strong economy in the United States should bode well for this year's summer season.

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McNeill // File Photo: Jamaican Government.

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POLITICAL NEWS

Guyana Protests Venezuela's Territorial Decree

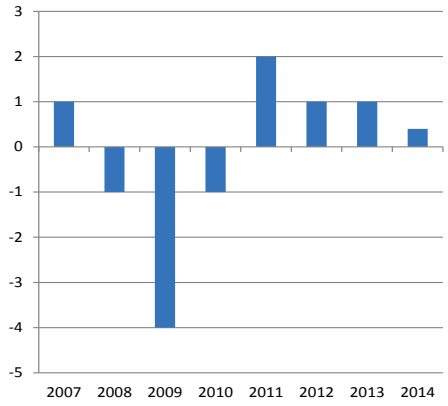
Guyana's new government on Monday accused Venezuela of posing a "threat to regional peace and security" by making a territorial claim farther into the Atlantic Ocean, over an area that includes a recent offshore oil discovery by ExxonMobil, the Associated Press reported Monday. The Venezuelan government's claim amounts to a "flagrant violation of international law and is inconsistent with the principle that all states should respect the sovereignty and territorial integrity of other states," said the statement from Guyana's foreign ministry, the wire service reported. The ministry added that if Venezuela tries to enforce the claim, the attempt would be "vigorously resisted" and brought to the international community's attention. The recent decree by Venezuelan President Nicolás Maduro's government would create a "defense" zone that would be under the Andean nation's control and would leave Guyana with markedly diminished access to the Atlantic Ocean, Reuters reported. A border dispute between the two countries has existed since the early 19th century, but it flared anew after ExxonMobil last month announced an oil discovery in the so-called Stabroek Block, which is located 120 miles off Guyana's coast. "We are operating the Stabroek Block offshore Guyana under license from the government of Guyana," ExxonMobil spokeswoman Lauren Kerr told Reuters in an email. The oil company said that it follows the laws of its host countries as well as international law, but added that border disputes are a matter for the countries themselves. Guyana's foreign ministry added that the Maduro government's decree "seeks to undermine our development through the exploitation of our natural resources offshore," Reuters reported. Relations between Guyana and Venezuela had been more friendly under Maduro's late predecessor, Hugo Chávez, who sold the neighboring country fuel on preferential terms under the Petrocaribe program. However, the party that had run Guyana for 23 years was unseated in last month's elections, in which former brigadier general David Granger won the country's presidency.

ECONOMIC NEWS

Jamaica Sees 5% Increase in Tourism

Tourism to Jamaica during its important winter season rose 5 percent in 2014-15 compared to the year before, the state-run Jamaica Information Service reported Monday. The Caribbean island recorded a 9.1 percent increase in stopover arrivals from the United States, with 445,000 visitors coming from that country between January and April 2015,

Jamaica GDP Growth, 2007-14 (%)



Data: World Bank (including 2014 forecast).

some 37,000 more than the corresponding period in 2014. More than 61,000 visitors arrived from the United Kingdom, representing a 27 percent increase. Cruise ship passenger arrivals increased by 11 percent compared to the previous year. Tourism and Entertainment Minister Wykeham McNeill said continued economic growth in the United States, Jamaica's largest source market, as well as better times in Europe, ought to bode well for this year's summer season, according to the report. Last week, Standard & Poor's upgraded Jamaica's sovereign credit rating one notch to 'B', the Financial Times reported. Despite GDP growth

NEWS BRIEFS

Cuba, Paris Club Agree on $15 Billion Debt Total From 1986 Default

Negotiators from Cuba and the Paris Club of creditor nations have agreed that Cuba owes $15 billion stemming from a 1986 default, Reuters reported. The deal on the figure, which includes principal, service charges, interest and penalties, is an important step toward renegotiating the debt and a sign that Cuba's government is interested in rejoining the global economy and adhering to international financial rules, unnamed Western diplomats told Reuters. The two sides can now begin negotiating payment terms and the potential for debt forgiveness.

Mexico to Proceed With Teacher Evaluations

The government of Mexican President Enrique Peña Nieto will resume teacher evaluations that it had halted last month as educators protested in the weeks leading up to the country's midterm elections on Sunday, The Wall Street Journal reported, citing Education Minister Emilio Chuayffet. The government had suspended the evaluations on May 29 due to "technical and political reasons," Chuayffet told reporters. "We're not stopping the education reform, nor are we willing to cancel evaluations," he said.

'Many' Lawmakers Get Undeclared Income: Ex-Chilean Cabinet Member

Jorge Insunza, the Chilean cabinet member who resigned Sunday over controversy related to consulting payments he received from a mining company while in Congress, said Monday that "many" deputies in Congress also receive income that is not declared, La Tercera reported. As secretary-general of the presidency, Insunza was responsible for the administration's relations with Congress.

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his reform agenda, but is also a clear signal of dissatisfaction with the current state of affairs in Mexico. The victory by Jaime 'El Bronco' Rodríguez as an independent, beating both the PRI and PAN in Nuevo León, is one of the few positive results of these elections, both as a warning signal to the establishment that it urgently needs to make serious changes to the political process, as well as an initial step in the breaking-up of the party monopolies that have so far governed in Mexico. President Peña Nieto now should seize the moment and make changes to his team that take into account the failures of some of his cabinet members and the need to strengthen the country's political, economic and social system before the 2018 presidential elections."

James R. Jones, member of the Advisor board, co-chair of Manatt Jones Global Strategies and former U.S. ambassador to Mexico: "Assuming the PRI along with the Green Party (PVEM) can forge a solid coalition with a third party, President Peña Nieto will again have a working majority in the Congress. The president has not indicated what his next round of reforms will be that will require congressional approval. But it appears that such a reform agenda would be possible with the PRI coalition and some defections from the PAN. What really needs to happen during the final three years of the Peña Nieto government is the full implementation of the reforms passed in the first three years. This is especially true for the education reforms. Along with the energy reforms, probably no other is more important to Mexico's economic future than reforming the education system to make Mexico a fully competitive economy. Implementing those reforms should not require congressional approval. This can be done within the executive branch. To keep Mexico on a progressive path forward, two political events this year demonstrate genuine promise. First is the law that allows for re-election to both the Chamber of Deputies and the Senate allowing members 12 years if they are re-elected. That should result in a much more focused attention to the voters and perhaps less to the political party leadership. Listening to the voters should result in more representative government as well as the growth and influence of citizen participation. Second, the big victory of an independent candidate for governor of Nuevo León should be a wakeup call to the traditional political parties to pay more attention to voters if they are to remain relevant. Both of these things should give confidence to Mexican voters that indeed they can determine their destiny in a peaceful, democratic manner. That is good for our neighbor on our southern border and good for the United States."

> **"The big victory of an independent candidate for governor of Nuevo León should be a wakeup call to the traditional political parties..."**
>
> **— James R. Jones**

Rogelio Ramírez de la O, president of Ecanal in Mexico City: "The mid-term elections were preceded by much violence (more than 20 related killings, including 10 candidates) and blatant incidents of illegality in the campaigns, especially on the part of the Green Party, to the discredit of the new electoral authority, INE. With such a precedent, the outcome was a positive surprise overall, despite relatively low turnout. The PRI, joining forces with the Green Party, holds the majority of the Chamber of Deputies, and this should be enough to obtain approval of legislation that requires simple majority. This will be important for modifying secondary oil legislation in case

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of just 0.4 percent last year, analysts with the rating agency now forecast the economy will grow 2 percent in the current year. In praising its economic performance, S&P noted Jamaica has met its fiscal targets over the past two years, with provisional estimates showing a primary budget surplus of 7.5 percent of GDP. Moody's also recently upgraded Jamaica's ratings. Those austerity measures have not been without controversy, however. In an editorial Sunday, the Jamaica Observer declared "confidence has not yet returned" to most people on the island, who fear improved economic indicators in headlines recently do not yet establish a "new normal" for the country. Meanwhile, recent police protests over pay could inspire other unions in difficult wage negotiations with the government, while perceptions of a weak economy are slowing demand for credit, the Economist Intelligence Unit reported last week.

BUSINESS NEWS

HSBC Reportedly May Sell Brazil Unit to Banco Bradesco

London-based HSBC will probably sell its Brazil unit to Banco Bradesco for about $3.2 billion to $4 billion, Bloomberg News reported Monday, citing "people with direct knowledge of the matter." Bradesco is reportedly willing to pay cash for the unit, which is the nation's seventh-biggest bank. The next most probable buyer for the Brazil assets, known to be up for sale for months, would be Spain's Banco Santander, according to the report. Itaú Unibanco has made an offer as well, though the sources told Bloomberg News that Itaú is less interested in the deal than the others. In addition to the Brazil sale, HSBC is planning to shed assets in Turkey, and is also "seeking improvement" in its operations in Mexico and in the United States, The New York Times reported today. HSBC has announced it will eliminate 22,000 to 25,000 full-time jobs, or about 10 percent of its workforce, through restructuring by the end of 2017.

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the government needs to make it easier and more attractive for private firms to participate in the reformed energy sector. It would also be needed to implement a zero-based budget process, which appears to be a new high priority for the government. Nevertheless, in the background, the percentage of the vote that the PRI gained was lower than in 2012. More significant, the governorship of Nuevo León was a major loss to the government and to the party system which has dominated Mexico. Such an elected government, without its own Congress, will face a test of how much public opinion and public participation are capable to prevail over congressmen that lack authentic citizen support, a test that looks promising for Governor-elect Jaime Rodríguez. Also in the background, violence in Guerrero and Oaxaca is a reminder that social instability is a constant now, at least in those two states."

Duncan Wood, director of the Mexico Institute at the Woodrow Wilson International Center for Scholars: "The election had a number of important and interesting takeaways. First, the violence was not widespread, and the election can be generally be classified as peaceful. In fact, the nation's electoral authorities seem to have done an acceptable job of running the election day itself, despite the many controversies that arose during the campaign period. Second, the party that is the big winner appears to be Morena, the left-wing breakaway party of Andres Manuel López Obrador, or "AMLO." With around 8.5 percent of the vote, the party has established itself as a credible force in Mexican politics, and gives AMLO a platform to make another run for the presidency in 2018. Third, although the PRI received significantly fewer votes than it had hoped, polling around 29 percent on election day, due to the even more disappointing performance of the PAN (21 percent) and PRD (10.6 percent), the governing party should keep its majority in Congress by working alongside its partners in the Green Party and PANAL. This will allow the government a clear path to congressional approval of its legislation, most importantly the national budget and remaining secondary or implementing laws from the structural reforms of two years ago. Fourth, there was a high number (5 percent of the total) of spoiled ballots, which highlights Mexicans' deep dissatisfaction with politics as usual. But clearly the most stunning takeaway from Sunday's election is the victory of 'El Bronco.' His success in Nuevo León will inspire independent candidates in state and municipal elections in the next couple of years, and it is likely we will see an independent candidate in the presidential race in 2018. Mexicans are clearly looking for an alternative to the political parties that have lost their trust, and are ready to consider other paths to democracy. For the major parties, a genie has been released that will be difficult to put back in the bottle."

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