

latin american weekly report

12 May 2016, WR-16-18

ISSN 0143-5280

CONTENTS

LEADER	1
Brazil takes momentous step: Rousseff suspended, Temer takes over	
BRAZIL & SOUTHERN CONE	
ARGENTINA	4
Macri launches counterattack	
CHILE	5
Setback for Bachelet over labour reform	
PARAGUAY	6
Students force Cartes's hand	
ANDEAN COUNTRIES	
VENEZUELA	7
Violence erupts as opposition demands recall	
ECUADOR	9
Cabinet shake-up follows earthquake	
MEXICO & NAFTA	
MEXICO	10
First marijuana, next opium poppies?	
TRACKING TRENDS	
CENTRAL AMERICA & CARIBBEAN	
EL SALVADOR	13
Burying the gang truce	
HONDURAS	14
Cáceres murder probe progresses	
PANAMA	15
A further knock to Panama's image	
POSTSCRIPT	16
Medina poised for re-election in Dominican Republic	
Quotes of the week	

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

Latin American Newsletters since 1967

Brazil takes momentous step: Rousseff suspended, Temer takes over

In a marathon session that started at 10AM on 11 May and finished just before 7AM the following day, Brazil's federal senate voted by 55-22 in favour of initiating impeachment proceedings against President Dilma Rousseff. The margin of victory by the political opposition was wider than anticipated, and more than the two-thirds majority that will be needed to remove her from power permanently at the end of her impending impeachment trial. While Rousseff's return to the presidency looks unlikely, much could happen during the six-month trial, and Vice-President Michel Temer, now the acting president, will face a series of severe challenges.

By comparison with the vote in the federal lower chamber of congress on 17 April, proceedings in the senate were almost dignified, though many of the senators overran the 15 minutes of speaking time they were allotted. In President Rousseff's defence, Gleisi Hoffmann, a senator for the ruling left-wing Partido dos Trabalhadores (PT), said that impeaching the president for breaking the law of fiscal responsibility was like punishing a traffic violation with execution. In the last speech just after dawn, José Eduardo Cardozo, the attorney general, warned senators that if they approved impeachment Brazil risked becoming "the biggest banana republic in the world".

In one of the night's more surreal scenes, Senator Fernando Collor de Mello, the former president who resigned from office in a failed attempt to stop impeachment proceedings against him in 1992, took to the podium to rail against what he perceived as an injustice committed against him almost twenty-five years ago. As for Rousseff's current predicament, Collor said that he had warned her repeatedly of the threat of impeachment but that she had failed to pay heed. "Never has Brazil suffered a confluence of economic, political and moral crises so clear, so interlaced and acute as that of today," he said.

Many senators expressed more sorrow in voting against Rousseff than their gleeful counterparts in the lower chamber, but the substantial majority concluded that the accusations that she borrowed from state banks to conceal a budget deficit warranted a full trial. Rousseff's trial could last up to 180 days; it will be conducted by Ricardo Lewandowski, the supreme court president, who as we go to press is due to receive the acts of impeachment from the senate president, Renan Calheiros. With Temer as acting president, Calheiros is now second in line, and Lewandowski is third.

While many opposition legislators are now calling on Rousseff to resign, she has given no indication she is even contemplating doing so. Though she must now leave Planalto, she may still stay in the official presidential residency, the Alvorada palace, and will receive a salary, staff and access to a Brazilian air force plane.

Temer's cabinet
In his first actions since becoming acting president, Michel Temer has dramatically reduced the number of cabinet posts from 32 to 21. For the first time since the restoration of democracy in Brazil in 1985 there is not a single woman in the cabinet. Henrique Meirelles, the former central bank governor, has been confirmed as finance minister.

Unrest?

If Rousseff fights to the end of the trial, she will become a rallying point both for those on the Left, who believe that she is the victim of a coup, and for those politicians who may have voted for impeachment but are likely to sour on a future Temer administration. Events of the last few months have shown that Brazilian politicians are nothing if not fickle and self-interested.

Shortly after the vote, Rui Falcão, the president of the PT, vowed that the party would fight the process of impeachment to the bitter end. But it is not immediately clear that this would be in the party's best interests, as others argue that effectively conceding defeat now, and developing the 'coup' narrative might be the best way to ensure the party, and possibly former president Lula da Silva (2003-2011), is re-elected in 2018.

In practice, this may mean widespread strikes, and other disruption to daily life in Brazil. The country's more radical social movements, such as the Movimento Sem Terra (MST) and the Movimento dos Trabalhadores Sem Terra (MTST), which have been kept quiet by the presence of a left-wing government, have threatened more direct action to challenge the Temer government. Although widespread popular discontent is unlikely, given most Brazilians are preoccupied with coping with the country's severe economic downturn, radical left-wing activists could cause major problems for a government that looks set to take a significant turn to the Right.

Temer's challenges

Temer is already benefitting from a fair wind from the media, and there are signs amid the gloom, of some kind of economic recovery, the economy is still expected to shrink by around 3.5% this year, following a fall of 3.8% last year. Inflation is around 10% and more than 10m people are unemployed, with many losing their jobs over the past year.

In theory, Temer has much the same priorities as Rousseff had: to bring down the budget deficit to stop the levels of public debt from spiralling out of control. This, in turn, should improve consumer and investor confidence, limiting inflation and allowing the central bank to lower interest rates in an attempt to get credit flowing in the economy again. Of course achieving this will be another matter. Temer has indicated a willingness to tackle government spending while protecting the social programmes for the poorest in Brazil, but he has also floated the idea of tax rises.

This is where the coalition that toppled Rousseff may start to fray: many of the congressional deputies who backed Temer's rise are unlikely to accept tax increases. Henrique Meirelles, the former central bank governor appointed as Temer's finance minister (*see sidebar*), will have to work very carefully with congress to restore investor confidence. Temer's Partido do Movimento Democrático Brasileiro (PMDB) has also indicated that it wishes to see the privatisation of large swathes of Brazilian infrastructure, and a loosening of the country's antiquated labour laws, but this is likely to prompt a considerable popular backlash.

Lava Jato

In a speech scheduled for later on 12 May, Temer is expected to highlight his government's continued support for 'Operation Car Wash', the probe into corruption involving the state-controlled oil company Petrobras. But many question his commitment to transparency. For all of Rousseff's many faults, nobody has accused her of personal corruption and, until her last-ditch attempt to appoint Lula to her cabinet, she never stood in the way of the prosecutors' work. Indeed, it could be argued that Rousseff paid the price for

Dilma's Goodbye

In a speech to journalists before leaving the presidential palace Planalto, Dilma Rousseff said that she was proud to have been Brazil's first female president. Once more Rousseff insisted she had committed no crime, before leaving the Planalto to greet a small crowd of supporters who were already shouting "Temer, out!"

upholding the rule of law rather than seeking to stymie the investigation process by interfering in other state institutions. Temer, by contrast, though not directly accused, has been cited several times by defendants in 'Operation Car Wash'.

Perhaps more significantly, some of his Temer's allies and future government ministers, such as Romero Jucá and Geddel Vieira Lima, are under serious suspicion. If further revelations emerge about Temer, or key members of his government, it could seriously undermine confidence in his administration. The suspicion on the Left is that Brazil's right-leaning media will largely ignore the corruption probe from now on.

Other surprises

Politics in Brazil are nothing if not unpredictable. Other events could easily sink the Temer administration. For example, the supreme court is looking into whether Temer himself should be impeached for breaking precisely the same fiscal laws as Rousseff when he was acting president while she travelled abroad. The supreme electoral court is investigating whether the 2014 presidential elections, in which Temer ran on Rousseff's ticket, should be invalidated over accusations that it was partly funded with money from the Petrobras corruption scheme.

Added to this, Temer will only have at most two-and-a-half years in power. Temer has said he will not seek office in 2018, and he looks ineligible anyway, due to a conviction for breaking other campaign finance laws. As such, many in his governing coalition may soon start jockeying to position themselves for the presidential race, further destabilising any kind of consensus that might be in place now.

The short-term challenges for Temer are considerable. But there is also the question over the long-term impact of the past few months on Brazil's new and fragile democratic institutions. Until now, arguably the only properly functioning part of the democracy is the judiciary, with both the legislature and the presidency severely compromised by incompetence and venality. Recent polls show a drop in support for democracy in Brazil, and it is not hard to imagine a future in which more extreme candidates, promising more radical solutions to Brazil's many problems, begin to capture the public imagination.

Dark day for the Left

The impeachment of President Rousseff is another major setback for the self-proclaimed 'progressive' Left in Latin America. The PT had held sway in Brazil since Lula took office in January 2003, over 13 years. This is the longest stretch in power of any political party in Brazil's history, longer even than the presidency of Getúlio Vargas (1934-1945).

Twelve years of Kirchnerista governments in Argentina came to an end last December with the investiture of President Mauricio Macri, at the head of a centre-right coalition. Venezuela's Bolivarian Revolution is tottering. President Nicolás Maduro is only clinging on in the face of an opposition push to remove him in a recall referendum because (in contrast to Rousseff) his government controls the supreme court (see page 7-8).

There is also great uncertainty surrounding the future of the region's other two 'progressive' leftist governments. Bolivia's President Evo Morales tasted referendum defeat last February while seeking to reform the constitution to allow a further re-election bid, and Ecuador's President Rafael Correa will bow out in February 2017 with the continuation of his 'Citizens' Revolution' in real doubt. A clear successor to Correa is lacking within the ruling left-wing Alianza País (AP), and a severe economic crisis exacerbated by the devastating earthquake of last month, is eroding confidence in his government.

Winning over Massa

The government announced a series of measures this week to promote investment and the growth of small and medium sized companies (SMEs) that provide 70% of the jobs in Argentina. The measures would increase the availability of bank credit for SMEs and provide a series of tax breaks, including for companies that hire workers aged between 18 and 24. President Macri also said he would increase unemployment insurance to AR\$3,000 (US\$212) a month; raise the minimum wage by 30%; and send congress a bill focused on investment. This all looks like a gesture designed to win over Deputy Massa and the crucial votes of his FR party to block the 'anti-dismissal' bill as the measures address several of Massa's core demands.

BRAZIL & SOUTHERN CONE

ARGENTINA | POLITICS & ECONOMY

Macri launches counterattack

President Mauricio Macri is responding combatively to efforts by the political opposition to outflank him. As the federal lower chamber of congress prepares to vote on 12 May on an 'anti-dismissal' bill, already approved by the senate, which would suspend all dismissals for 180 days and grant double severance pay for those already laid off, Macri invited many of Argentina's foremost business leaders to the presidential palace. Here they signed a document, the content of which Macri hopes will split the opposition, stripping support for the 'anti-dismissal' bill and obviating the need for him to assume the political cost of vetoing it.

Some 200 top executives drawn from across Argentina's business sector signed a document drawn up by the Macri administration, undertaking not to lay off any employees for at least 90 days. This would deliver half of the timeframe sought by the sponsors of the 'anti-dismissal' bill, only not through the imposition of legislation.

Macri did not pull any punches during a short seven-minute speech prepared for the occasion. He said that politics was about "seeking solutions around the negotiating table" and not simply "setting up obstacles, which is to bastardise politics". This was aimed at the Frente para la Victoria (FPV, Kirchneristas) faction of the main opposition Partido Justicialista (PJ, Peronists), which has driven the bill through congressional commissions to reach the full chamber. But it was also meant for Deputy Sergio Massa, who, through the votes of the dissident PJ faction Frente Renovador (FR), of which he is the leader, has the power to make or break the bill (*see sidebar*).

Macri has spent much of this week arguing that he is interested in real job creation not creating a bloated public sector with "useless jobs" through clientelism like Kirchnerista governments. While visiting a General Motors factory in Santa Fe province on 11 May, Macri said these jobs could only come "through investment, and investment comes from confidence". Macri said that thanks to his government ending currency controls and export tariff restrictions (*see box below*), policies of the Kirchnerista governments which he said had changed the rules of the game and deterred investment and job creation, "the engine is now primed and just needs the ignition to be turned on".

Exports of grains surge

Argentina's exports of grains grew by 68% year-on-year in the first quarter in the wake of the elimination of export tariffs on wheat and maize (and a reduction to 5% on soya) by the government led by President Macri. Argentina exported a total of 19.97m tonnes (t) of grains in the first quarter, up from 11.91m t in the same period in 2015. Wheat exports surged by 105%; maize by 84%.

"Wheat re-entered historic markets such as Egypt, Morocco, Indonesia and Vietnam. Argentina exported more than 3m t of wheat to these markets during the quarter, twice the amount of the same period in 2015," according to an agriculture ministry statement. The main reason for the huge increase was the decision by farmers to sell stockpiles amassed under the previous government of Cristina Fernández (2007-2015).

On the negative side for the Macri administration, exports of soybeans will be hit hard this year by the serious floods in the Pampas at the start of the harvest in April. It is estimated that Argentina lost 9m t of soybeans due to the storms, which could cause a 15% fall in output.

Setback for Bachelet over labour reform

President Michelle Bachelet has hit a major obstacle over a declared policy priority. Last week the constitutional court (TC) rejected aspects of the labour reform approved the previous month by the bicameral legislature, aimed at updating the existing legislative framework which dates back to the military government led by General Augusto Pinochet (1973-1990) [WR-16-11], which would have strengthened trade unions. Provoking outcry from the umbrella trade union Central Unitaria de Trabajadores (CUT), the TC's ruling is a victory for the centre-right Chile Vamos opposition coalition and private sector. While the Nueva Mayoría coalition government has already said that it will veto aspects of the reform ruled unconstitutional and send down a new short law, with the CUT keeping a close watch on developments, the issue is again exposing divisions at the top.

In its ruling issued on 27 April, the TC accepted an appeal put forward by Chile Vamos (whose main partners are the Unión Demócrata Independiente [UDI] and Renovación Nacional [RN]), which argues that companies could only negotiate with legally designated unions during collective wage talks. It also rejected part of a provision barring companies from extending benefits resulting from bargaining agreements to non-unionised employees. The TC threw out other appeals against provisions making it obligatory for large and medium-sized companies to negotiate with trade unions across companies and the right of unions to information in order to negotiate better. Private sector representatives hailed the ruling.

The CUT, an ally of the Nueva Mayoría's Partido Comunista de Chile (PCCCh), has since called a national strike for 31 May. Government spokesperson Marcelo Díaz revealed on 7 May that the executive would veto aspects of the reform and try again with an amended version. This was welcomed by CUT president Bárbara Figueroa but provoked complaints from Sofofa and Chile Vamos who accuse the government of acting without transparency and generating uncertainty at a time when it should be concentrating on boosting growth and employment. It has also exposed differences within the government which the media report are mainly between Labour Minister Ximena Rincón (of the Nueva Mayoría's Partido Demócrata Cristiano, PDC) who had been pushing for the veto and Finance Minister Rodrigo Valdés (of the Nueva Mayoría's Partido por la Democracia, PPD) concerned about its impact on the private sector.

Fishing for trouble

The renewed fuss over the labour reform comes as President Bachelet is facing unrest from artisanal fishermen in Chiloé archipelago, Los Lagos Region, over a crisis caused by the bloom of the *Alexandrium catenella* algae that turns sea water red and makes fish essentially poisonous. A common, naturally recurring phenomenon in Southern Chile (*see sidebar*), the extent of the current red tide event has been such that the Bachelet government was forced to declare a "catastrophe" in the area on 29 April. Eight days earlier Health Minister Carmen Castillo decreed a sanitary alert in Los Lagos which will last until July due to the high levels of the toxin, confirming an existing ban on fishing imposed in March.

With protesters warning that the livelihoods of some 31,000 people are at stake, local fishermen have been staging blockades since 2 May. Protests have also taken place in Santiago, Valparaíso and Concepción, and the port city of Puerto Montt, Los Lagos region, in support of their plight. On 9 May they rejected the latest government offer of a C\$300,000 (US\$448) one-off payment and three future payments of C\$150,000 for a total of 6,000 artisanal fishermen affected. Instead those affected are calling on the government to address a list of 28 demands which include a one-off pay-out of C\$300,000 and five future pay-outs of C\$300,000.

Causes

The national fisheries service (Sernapesca) has attributed the unprecedented intensity and extent of the red tide to this year's unusually strong 'El Niño' weather phenomenon. But artisanal fishing unions such as the national confederation of artisanal fishers (Conapach) blame it on pollution by Chile's farmed salmon industry, which is active in the Los Lagos region.

Argentina visit

Presidents Horacio Cartes and Mauricio Macri agreed in Buenos Aires to set up a permanent negotiating table to settle Paraguay's historic debt with Argentina over the construction of the Yacyretá binational hydroelectric dam. The settlement of the debt is a long-term demand by Paraguay, which disputes the US\$12bn valuation set by Argentina on the grounds that the unused share of its electricity allocation produced at Yacyretá has been 'ceded' to Argentina at concessionary prices since the dam's completion in 1994 under the bilateral agreement and should be considered as going towards the payment of the loans taken on by Argentina to build the dam. Successive Paraguayan governments have tried unsuccessfully to reach a settlement with Argentina. But given Cartes's affinity with Macri there is optimism in Paraguay that the two governments will now be able to reach a settlement.

Students force Cartes's hand

Secondary students have forced the departure of the head of Paraguay's education & culture ministry (MEC) appointed by President Horacio Cartes as part of his 'national team' cabinet when he assumed office in 2013. The fifth change to Cartes's cabinet came after days of protests and the taking over of more than 100 secondary schools across the country by students demanding major changes at the MEC and increased spending to drive up the quality of education in Paraguay.

The protests began on 3 May when a group of students took over the Colegio Nacional República Argentina (CNRA) public school in Asunción, demanding the resignation or dismissal of MEC head, Marta Lafuente, to face investigations for her alleged involvement in a corruption case around dubious contracts for the provision of school meals signed by the MEC. This after the local press revealed that the MEC was sourcing meals at inflated prices, in what looked like a major influence trafficking and graft case.

Lafuente, who denies any wrongdoing, was summoned to appear before congress to face questioning amid threats of her censure, but she never did. With the protest action by the CNRA being supported by secondary school student organisations and more schools being occupied, Lafuente was forced to address the matter. But her attempts to negotiate personally with students failed, as they insisted on her resignation. After secondary school organisations took over public and private schools across Paraguay, and parents, university students and teachers' unions backed calls for her to go, Lafuente's position became untenable.

After holding a closed-door meeting with Cartes to discuss the crisis, Lafuente tendered her resignation during a 5 May press conference. Cartes immediately accepted it but publicly praised Lafuente for leaving "clear and healthy accounts at the MEC". These remarks upset the students, who in their own press conference announced that despite Lafuente's departure, they would continue with their protest until Cartes met them so that they could put their grievances to him, including the demand to increase education spending from the current 3.5% of GDP to the 7% recommended by the United Nations Educational, Scientific and Cultural Organisation (Unesco), and of a major overhaul at the MEC.

Cartes, who has been reluctant to make administrative changes even in the face of considerable political and public pressure, decided to go ahead with a scheduled two-day trip to Argentina (*see sidebar*) rather than meet the students, appointing the controversial figure of Enrique Riera as Lafuente's replacement before leaving. Riera, a former mayor of Asunción (2001-2006) from the ruling Asociación Nacional Republicana-Partido Colorado (ANRPC), has long been accused by the relatives of victims of the 2004 fire at the Ycuá Bolaños supermarket of being politically responsible for the failings in the building's construction and fire escape plan, which had been approved by his administration. A total of 396 people lost their lives in the tragedy.

Meanwhile, the students announced that they would step up their protests if Cartes continued to ignore them. Perhaps mindful of the mass demonstrations in demand of quality education last year in the wake of the major corruption scandal uncovered at the state-run Universidad Nacional de Asunción (UNA), Cartes met the students upon his return on 11 May and signed a document pledging his commitment to meet their demands. The students duly called off their protest but Cartes is now under pressure to deliver.

Recall referendum

The MUD wants the recall referendum to be held by November at the latest, so that, if successful, a fresh presidential election would be triggered. If held after 10 January 2017, then President Maduro would be replaced by his vice-president, Aristóbulo Istúriz, a veteran politician touted by some as a potential transition leader. The regional elections are typically in December. With a good half of the 23 states controlled by former and serving members of the military affiliated to the ruling Partido Socialista Unido de Venezuela, the outcome of this vote could prove more pivotal to Maduro's political future than any of the legal manoeuvring by the opposition, which is why Maduro may also seek to avoid this electoral reckoning.

Violence erupts as opposition demands recall

Images of the Venezuelan opposition political leader and twice-former presidential candidate Henrique Capriles Radonski being led away in obvious pain after being pepper sprayed by police at a march in Caracas is another black mark against the government led by President Nicolás Maduro, which appears determined to rebuff the loud public demand for a recall referendum.

The violence took place as the main opposition coalition, Mesa de la Unidad Democrática (MUD), sought to stage a peaceful march to the national electoral council (CNE) to demand that it expedite the verification process for the 1.8m signatures submitted by the MUD on 2 May in petition of a recall process. A referendum can be triggered by a citizen petition signed by 1% of the registered national electorate (roughly 197,000 voters). The MUD submitted almost 10 times the required number. The CNE must then validate the signatures. This is done in two parts. The electoral authority first must validate within five "continuous" days (according to Capriles) the forms submitted.

According to the MUD, it submitted 80 boxes with 200,000 pre-sorted and fully scanned forms; the CNE has alleged incomplete forms, with missing signatures and/or national ID numbers. Every citizen that signed a petition form will next have to go in person to a designated election centre and validate his or her signature digitally (with a fingerprint). According to the MUD, the CNE, which said it began to examine the forms on 5 May, should have finished verifying the forms at the very latest by 10 May, after which it has to inform citizens as to when and where to present themselves to give their digital signatures.

Anticipating a CNE delay, the MUD said it would stage peaceful marches nationwide on 11 May. In Caracas, Capriles and opposition activists were met with a sea of heavily armed military police and access to the city centre was blocked off with heavy steel cordons. According to a tweet by the president of the MUD-controlled national assembly, Henry Ramos Allup, Capriles was sprayed in the eyes by an officer as he sought to negotiate access for the marchers towards the city centre. "They sprayed pepper gas in his eyes, they blinded him and he had to be quickly evacuated....they [the police] are firing rubber bullets and tear gas, and we don't want a single injury because Venezuelan blood is worth too much", Ramos Allup continued.

Other opposition sources suggested that the incident was all the more painful for Capriles because he recently underwent medical treatment for an undisclosed but severe-looking facial skin ailment. However, he was later reported to be recovering well at a local hospital. The penitentiary affairs minister, Iris Varela, known for her acerbic and often offensive comments, tweeted the following about the incident: "They tell me that Capriles' and Guanipa's makeup ran and they ran out in a hurry to fix themselves up". (Deputy Tomás Guanipa is the longstanding secretary general of Capriles' Primero Justicia party and is also currently president of the national assembly's permanent committee for popular power and communications media). The tweet was blasted as homophobic by opposition media including the leading daily, *El Nacional*.

The violence was not limited to Caracas. Unrest and several injuries were also reported in the state of Bolívar. Capriles later announced further marches for Saturday 14 May, declaring that the MUD would also issue a call on the CNE to organise the pending regional elections (for the governors of

Public sector workers – on the sofa watching the soaps?

Some critics posit that putting on paid leave the bloated public sector – estimated at some 2.4m workers in all (about 18% of the total labour force) – is unlikely to reduce electricity consumption, as people stay home and watch TV and use air conditioning and other household appliances. It is worth noting that a full 40% of Venezuela's electricity consumption is in fact residential, with business users and industries accounting for 24%, basic industries (mostly the country's aluminium sector) for 21%, and 15% spread elsewhere.

the 23 states and capital district), due by year-end. "This is not the country of three years ago [when former president Hugo Chávez died of cancer], we are going to ask for the recall, and the gubernatorial elections, and we will defend the national assembly," Capriles declared, in allusion to efforts by the executive and the supreme court to block the assembly's activities since January. He also accused the government of a conspiracy to set alight the lorry taking the recall petition forms to the CNE, which he said had prompted the MUD's unexpected dawn delivery of the forms to the CNE's main warehouse outside Caracas on 2 May.

Maduro, meanwhile, took to the national airwaves to declare that the extension of the national economic emergency, initially decreed for two months to 9 March and then extended to 9 May, would now run to the end of the year, to allow the president to continue to take measures in response to the economic crisis. Notably, the supreme court-sanctioned decree allows Maduro to act without consulting the assembly and the supreme court has also ruled to curtail assembly functions for the duration of the emergency, putting a legal question over its legislative efforts. Maduro said that the country "would have to learn to live with a little" amid the continuing oil price rout.

"The economic emergency in this country is called Nicolás Maduro," Ramos Allup tweeted in response. Addressing supporters outside the Miraflores presidential palace, Maduro also declared that all MUD parliamentary proposals lacked "political viability". Rejecting a new MUD-proposed property law to give title to beneficiaries of the government's flagship social housing mission, 'Gran Misión Vivienda Venezuela', Maduro declared that "none of the strategies announced or activated by the oligarchic and fascist Right have political viability, nor are they going to achieve their aim of revoking or derogating the Bolivarian Revolution. Never...not in 2016, or 2017, or 2018, nor in 2030". Maduro also announced an official march – also for 14 May – in protest at the proposed property rights law, which he dubbed 'ley cejota (roughly, the 'monobrow law')'.

With the political rhetoric reaching boiling point, the Vatican this week announced the dispatch to Caracas in late May of the secretary for relations with states (effectively foreign secretary), Monsignor Paul Gallagher, for talks with both sides. The Liverpoolian, the first native English-speaker to hold the post, has his work cut out. Previous efforts by Pope Francis to mediate in the Venezuelan political crisis, supported by Brazil and others, got nowhere.

Public sector enforced holiday extended

Speaking on state TV on 9 May, the state governor of Aragua, Tareck El Aissami, announced that the two-day working week in the public sector, implemented to save energy, would be extended for another two weeks to 27 May. It was unclear as to why El Aissami, who prior to his election as governor in late 2012 had spent four years as interior minister, was making the announcement. The two-day week in fact amounts to only eight hours in total, with civil servants putting in just four hours each day. Notably, all schools in the country will also be closed for another two Fridays (20 May and 27 May), costing students valuable class time. The extended public sector shutdown, amid electricity rationing applicable across most of the country for 40 days (Caracas being a notable exception), can only deepen the recession in the country.

El Aissami said the extended measures were due to insufficient recent rains. "The rains were very light, and the situation at El Guri [the country's main hydroelectric dam] remains critical," he explained. Some in the opposition also spy a conspiracy to stymie the recall referendum efforts, and potentially also the regional elections. A couple of days later, the electric energy minister, Luis Motto, tweeted aerial photos taken over the Guri dam and reiterated that water levels at the dam, which supplies over a third of national electricity output, remained "very critical". In late April, water at the dam was just 242m above sea level, just two meters above the minimum level required for the turbines to be operable. Motto did not give the latest level.

Cabinet shake-up follows earthquake

President Rafael Correa has reshuffled his cabinet, changing six ministers, as well the heads of the state oil companies, as the government seeks to recover political ground following the recent devastating earthquake in northern coastal provinces.

On 29 April Correa issued a presidential decree appointing José Luis Icaza as the new hydrocarbons minister, following the resignation of Carlos Pareja Yannuzzi, who had only been in the post since November 2015. Icaza has been promoted from his role as manager of the state oil firm Petroamazonas. Correa thanked Pareja for his “valuable and loyal service to the Republic”.

Icaza, a chemical engineer, is an experienced administrator, having previously held deputy posts in the ministries of hydrocarbons, strategic sectors, and non-renewable resources. He has also served as the national undersecretary for natural gas and fuel development; manager of the environmental protection unit at the state refining and oil sales firm Petroecuador; and as administrative director of the Universidad Agraria de Ecuador. Meanwhile, following the resignation in April of the head of Petroecuador, Alex Bravo, who appeared in the ‘Panama Papers’, Pedro Merizalde, a former hydrocarbons minister, has taken over his place. Rather curiously, José Luis Cortázar, a former presidential bodyguard, has assumed the helm of Petroamazonas. Given the critical importance of the oil sector to the country, it is unclear as to whether this was an interim or permanent appointment.

On 4 May further changes were announced. The minister for economic and social inclusion, Betty Tola, was replaced by Lídice Larrea, a national deputy for the province of Manabí, where the earthquake wreaked maximum damage. The former governor of Manabí, Susana Dueñas, has taken over the national risk management secretariat from Luis Jaramillo, who had come under criticism for the imperfect official response to the earthquake. Manabí has been a key bastion for the ruling Alianza País (AP) and Jaramillo’s removal in particular appears to be an effort by Correa to shore up support in the region ahead of the February 2017 general elections, in which the AP is heading to the polls for the first time without Correa on the ballot.

Elsewhere, AP Deputy Juan Carlos Cassinelli was named as the new foreign trade minister, replacing Diego Aulestia, whose departure had been pre-agreed with the president for “family reasons”. And finally, Raúl Vallejo returned from his post as ambassador to Colombia to take over the culture ministry from Ana Cristina Rodríguez. In his first press conference on 5 May, Cassinelli denied that the Correa government’s recent decision to extend controversial import tariffs until June 2017 would prevent the signing of a trade deal with the European Union (EU). Ecuador and the EU reached an agreement for Ecuador to adhere to the existing EU trade deal with Colombia and Peru in September 2014. The adhesion agreement is still pending analysis by the European Council and Parliament prior to ratification.

EU officials recently suggested that ratification might not now happen until March 2017. Cassinelli said that his primary objective would be to expedite the process so as to secure ratification by December this year, when Ecuador’s existing preferential tariffs with the EU (applicable to about 60% of its exports to the EU) are due to expire for good, having been rolled over for the duration of the negotiating period between Brussels and Quito. Ecuador, which sends some 30% of its exports to Europe, is keen to get the new deal in place before the existing one expires.

Foreign trade priorities

The new foreign trade minister, Juan Carlos Cassinelli, said his other priorities would be to promote policies to safeguard dollarisation; protect employment; and generate more productivity. Ecuador is in deep economic recession. Prior to the earthquake, the International Monetary Fund (IMF) had already forecast an average annual GDP contraction of 4.4% in 2016-2017.

First marijuana, next opium poppies?

In moving to legalise marijuana for medicinal use and decriminalise its recreational use, Mexico is essentially following a regional trend, but an impending drug debate would break new ground and grab far more attention. The governor of Guerrero, Héctor Astudillo, is proposing that opium poppy cultivation should be legalised for medicinal purposes. Guerrero accounts for some 60% of Mexico's poppy production, fuelling bloody turf wars between drug trafficking organisations (DTOs) vying for control of the growing trade in the poverty-stricken state.

President Enrique Peña Nieto only submitted two bills to the federal senate to liberalise the law on marijuana on 21 April. Astudillo, like Peña Nieto a member of the Partido Revolucionario Institucional (PRI), said that legalising the production of opium poppies would serve a dual purpose: reduce drug-related violence by breaking the dependence of farmers on DTOs who buy the poppy harvest to produce heroin; and provide the Mexican state with the benefits of production of painkillers, such as morphine and codeine, extracted from the poppies. He argued that the regulation and massive legal production of these drugs could make them far more readily available in Mexico for those who cannot afford them.

Astudillo conceded that his proposal was more thinking out loud than a concrete policy initiative but it attracted significant attention. Deputies representing the left-wing Movimiento Ciudadano (MC) in the Guerrero state congress promptly presented an initiative to legalise opium poppy cultivation for medicinal ends as "a tool to reduce violence and to create the economic conditions for campesinos to devote themselves to this activity legitimately without needing any transactions with organised crime".

Graco Ramírez, the governor of the central state of Morelos (not a producer of opium poppies), wasted little time in backing the idea. Ramírez is a member of the left-wing Partido de la Revolución Democrática (PRD), a proponent of a wholesale liberalisation of national drug policy, who described the proposed marijuana legislation as "an important step, but insufficient". Regarding opium poppies, he said that "with a civilised and brave vision" the federal government could "serve public health and not criminals" and help to "end once and for all this absurd, expensive and useless war". Ramírez added that "right now we have poor campesinos and rich criminals".

Rigoberto Acosta González, the leader of the Consejo Regional de la Sierra de Guerrero (Cresig), also threw his weight behind the proposal. He said that 95% of the 18,000 families from 1,280 communities living in the sierra are involved directly or indirectly in the cultivation and harvest of opium poppies. At a conservative estimate, he said, the sierra produces around M\$400m (US\$22.2m) a year from opium poppies. From every hectare under cultivation the average production is 8kg of opium gum which sells for around M\$216,000 (US\$12,000). This in turn produces 1kg of impure heroin, known as black tar, which sells for around M\$4.5m (US\$250,000). Despite getting the rough end of the deal this is the sole source of income for most campesinos who, while they also grow maize, only produce enough of the crop for their own needs.

Opium poppy cultivation is concentrated in a handful of municipalities in Guerrero, including Coyuca de Catalán, which had the largest production in

Opium poppy cultivation

Some 60% of opium poppy cultivation takes place in Guerrero. Around 25% is produced in the 'Golden Triangle' of Durango, Chihuahua and Sinaloa, and the remaining 15% primarily in the state of Sonora, Nayarit, Colima, Jalisco, Michoacán, Oaxaca and Chiapas. However, there is believed to be at least some level of opium poppy cultivation in 859 municipalities in Mexico, 25% of the total.

'El Chapo'

On 7 May a federal judge approved the extradition to the US of the leader of the powerful Sinaloa drug trafficking organisation (DTO), Joaquín 'El Chapo' Guzmán Loera, although the foreign ministry must now issue a resolution after which the drug kingpin's legal defence could appeal. In the early hours of the following day, Guzmán was suddenly transferred from his cell in the maximum security prison Altiplano in the Estado de México (Edomex) to a jail on the outskirts of Ciudad Juárez in the northern state of Chihuahua close to the US border. Speculation is rife that this was designed to pave the way for his extradition, but the national security commission (CNS) claimed in a statement that it was merely to allow security enhancements to take place at Altiplano.

2015, according to the defence ministry (Sedena), with 1,134 hectares (ha), and Iguala. This goes some way to explain why the Interdisciplinary Group of Independent Experts (GIEI in the Spanish acronym) appointed by the Inter-American Commission on Human Rights (IACHR) to investigate the abduction and presumed murder of 43 trainee teachers in Iguala in September 2014 recommended in its final report recently that the authorities look into the drug business in the area, especially buses being used to carry opium gum onwards to the US. Iguala is one of the focal points of the bloody turf war being waged between criminal groups, such as Los Rojos and Guerreros Unidos (the latter held responsible for the students' disappearance), for control of production and distribution routes in the state.

According to the United Nations Office on Drugs and Crime (UNODC), opium poppy production increased dramatically from 3,300ha in 2005 to 10,500ha in 2012. Half of the heroin entering the US now comes from Mexico. According to figures from the US Drug Enforcement Administration (DEA), seizures of the drug have jumped significantly, more than doubling in four years from 1,016kg in 2010 to 2,188kg in 2014. In 2014, the Peña Nieto administration said it had eradicated 21,000ha of opium poppies, but 50,000ha are believed to be planted a year.

Is it feasible?

The viability of Astudillo's proposal to legalise opium poppy production is already being debated. Antonio Mazzitelli, Mexico's representative for the UNODC, argued that there is "insufficient demand to justify more production". He said campesinos would benefit more from greater state presence in the form of improvements to roads, infrastructure and alternative crops. Guerrero's sierra is suffering from abandonment by the state: 45 health centres and 55% of schools, for instance, are closed across the area due to fear of criminal groups. Mazzitelli also argued that Mexico uses very few opiates in medical treatment as doctors are afraid to prescribe them and patients to use them.

The Mexican government cannot take a decision unilaterally even if Astudillo's proposal gets traction. The UN's International Narcotics Control Board (INCB) oversees the global legal market for opiates, calculating demand and establishing rigorous security requirements to approve producers. The trouble for Mexico, Mazzitelli argued, is that opium poppies are cultivated in remote, mountainous areas, such as Guerrero's sierra, where the requisite supervision and control are not practicable.

Lisa Sánchez, the drug policy coordinator of the NGO México Unido contra la Delincuencia, begged to differ. She contended that if the authorities are able to access these areas for the purpose of eradicating opium poppy crops then they could also provide security for legitimate production. Sánchez insisted that any organised market was preferable to the present scenario. She said her NGO was currently working to establish the real demand in Mexico and abroad to match precise figures of production and yield from the total hectareage of opium poppy under cultivation. She also argued that there would be a market as there is a shortage of pain relief drugs in poorer nations. In its 2015 report the INCB said that 92% of morphine was used in countries where just 17% of the world's population live.

Drug-trafficking takes centre stage in elections

The impact of drug-trafficking at a political level in Mexico is also being keenly felt as gubernatorial and mayoral elections on 5 June approach. Last weekend the PRI president, Manlio Fabio Beltrones, expelled three of the party's mayoral candidates from local elections being contested in the violence-riven north-eastern state of Tamaulipas because of alleged links to organised crime.

Expelled mayors

The three mayoral candidates in the state of Tamaulipas expelled by the PRI are Reyes Zúñiga Vázquez, Hidalgo; Luis Cesáreo Aldape Lerma, Mainero; and Gustavo Estrella Cabrera, Villagrán. They are being investigated by the special prosecutor's office for electoral crimes (Fepade). All three protest their innocence and, for the time being, say that they will continue to campaign. They are not taking legal action, however, arguing that "to take on the PRI is to take on the world".

On one level the announcement by Beltrones could be interpreted as a positive sign. The failure of Mexican political parties to establish a rigorous vetting process for candidates has allowed some deeply dubious characters to be elected at a local level, none more so than the mayor of Iguala at the time of the disappearance of the 43 trainee teachers, the PRD's José Luis Abarca.

Beltrones was keen to take the moral high ground, insisting that the PRI would not tolerate any collusion from its candidates with organised crime and would take firm action wherever it was detected. He called on rival parties to show the same "honesty for the good of the country". But it is not clear that his intentions were entirely principled. Beltrones, who made the incendiary claim during a visit to Tamaulipas, claimed that the three candidates (*see sidebar*) had been expelled because they had been bribed by DTOs to support the right-of-centre opposition Partido Acción Nacional (PAN).

Pot calling kettle black

The president of the PAN, Ricardo Anaya Cortés, gave a fierce riposte, in which he accused the PRI of playing dirty with a "desperate ploy" to try and sully the image of the PAN's gubernatorial candidate, Francisco García Cabeza de Vaca, because opinion polls are suggesting he is poised to win in the state, one of the many which has still never left PRI hands.

Anaya did not stop there. In a press conference alongside the secretary general of the PRD, Beatriz Mojica Morga, Anaya said that "If anyone lacks the moral authority to talk about officials with links to organised crime in Tamaulipas then it is the PRI with two of its former governors, Eugenio Hernández [2005-2010] and Tomás Yarrington [1999-2004] fugitives of justice [accused of links to the Golfo and Los Zetas DTOs]". Anaya also stressed the close ties that the PRI's gubernatorial candidate in the state, Baltazar Hinojosa Ochoa, enjoyed with Yarrington, having filled two posts in his cabinet when he was governor.

Anaya's claim that "our candidate is honest" might have been stretching the point though. García Cabeza de Vaca was arrested in McAllen, Texas, in 1986 for arms theft. The local newspaper El Norte claimed he received US\$500,000 from the Golfo DTO in 2004 when he was campaigning for the mayoralty of Reynosa, the most populous city in Tamaulipas. In 2006 one of his bodyguards was arrested in the US carrying 25kg of cocaine. And his mother is being investigated for illicit enrichment after she deposited US\$16m in a US bank account (in McAllen) in January 2008, days after her son's term as mayor of Reynosa ended.

TRACKING TRENDS

MEXICO | Shoring up ties with the UK. Last week Philip Hammond became the first foreign secretary of the United Kingdom (UK) to visit Mexico in an official capacity for 10 years. Hammond's visit follows the state visit to the UK by President Enrique Peña Nieto in March 2015 to mark 'the dual year of Mexico in the UK and the UK in Mexico' in 2015, a year-long celebration of trade, investment, tourism, science and cultural exchange between the two countries.

Hammond discussed a range of bilateral and regional issues, including collaboration on trade, security, financial services and the rule of law with his Mexican peer Claudia Ruiz Massieu. He then met Mexico's finance minister, Luis Videgaray, with whom he discussed Mexico's economic reforms and UK investment opportunities in energy and infrastructure in the wake of the legislation ending the monopoly of the state-run oil company Pemex.

Ruiz Massieu stressed the "dynamism" of bilateral relations, with the UK being the eighth-largest source of foreign direct investment (FDI) in Mexico. She said that in the last 15 years FDI from the UK had surpassed US\$10bn and 1,500 companies with British capital were operating in Mexico.

Burying the gang truce

The government led by President Salvador Sánchez Cerén is keen to stamp out all traces of the 2012 *mará* gang truce. Senior members of the military and the national police force (PNC), prison directors and a mediator of the truce were among 18 people arrested last week. The arrests come during a comparative lull in the violence that has consumed El Salvador since the collapse of the truce in 2014 and the subsequent *mano dura* approach adopted by the Sánchez Cerén administration. Both the *mará* gangs and the government are claiming credit for a sharp decline in murders in April. The gangs attribute the fall to a unilateral ceasefire declared on 26 March; the government, to the launch of 'extraordinary measures' to combat the gangs, which have been implemented in recent weeks.

Speaking during a press conference, the attorney general, Douglas Meléndez, said the 18 people had been arrested for committing "various crimes in the framework of the truce". These range from illicit gatherings and bringing forbidden objects (like mobile phones) into prisons to "arbitrary acts" and violation of their duties. Meléndez said that the truce had led to corruption in breaking the rules and regulations of the prison system and resulted in the strengthening of the *mará* gangs.

Raúl Mijango, a former deputy of the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) who mediated the truce between the country's main gangs, Mara Salvatrucha (MS13) and Barrio 18, was among those arrested, along with three former prison directors, as well as the current director of the Zacatecoluca maximum security prison, José Antonio Meza. Although the truce was designed by the current defence minister, David Munguía Payés (when he was serving as security minister under the previous government of Mauricio Funes [2009-2014]), he insisted this week that he was "never informed about the irregularities of the process", or else, he maintained, he would have stopped them. "If anyone overstepped the mark, I don't know, but I never gave any of my officials an illegal order," Munguía Payés said.

Sánchez Cerén, who, it must be recalled, served as Vice-President in the Funes administration, is keen to dissociate his government completely from the gang truce, especially as he is pursuing a diametrically opposed security policy of intensifying the fight against the *mará* gangs. His government claims that the first fruits of the 'extraordinary measures' implemented in recent weeks are being felt in the form of a sharp fall in the murder rate. The number of homicides in April was 'just' 352. The figure exceeded 600 for each of the first three months of the year.

The government claims that the decline is a consequence of its 'extraordinary measures', which include establishing greater control over prisons (to sever communications between imprisoned gang leaders and members on the outside) and the creation of a 1,000-strong special reaction force (Feres, in the Spanish acronym) to combat the gangs. But it is doubtful whether the prison reform would have had such a major impact in such a short time and the Feres only began operating on 20 April. More likely is the explanation given by the gangs: "We promised a unilateral ceasefire and stuck to our word". They demonstrated during the truce, after all, their ability to bring the levels of violence down swiftly.

Human rights

The government will create a commission to guarantee respect for human rights in the implementation of the 'extraordinary' measures to combat the *mará* gangs, the presidential security commissioner, Hato Hasbún, said this week. It will be coordinated by David Morales, the human-rights prosecutor, and will include several members of the cabinet, including the foreign minister, Hugo Martínez. The role of the commission will be one of oversight, to ensure that there are no human-rights abuses committed by the national police (PNC) and elements of the armed forces involved in the tough new security measures. Given the growing number of allegations of extrajudicial killings by the security forces it will have its work cut out.

Hernández in Denmark

President Hernández and his wife, Ana García, are in Denmark for the Sustainable Textile Summit in Copenhagen. The couple were received by Crown Prince Frederick and Princess Mary. It is the first time a Honduran leader has visited Denmark, according to an official statement. Hernández will close the summit, which is held every two years and is attended by some 400 international manufacturers including the likes of Zara and H&M. Hernández was also due to make a speech outlining his government's national development plan to 2020, which aims to create 600,000 new jobs in the country.

Cáceres murder probe progresses

Life is cheap in Honduras. According to testimony given by one of four suspects arrested last week and remanded in prison in connection with the murder (on 3 March) of the high-profile environmental activist Berta Cáceres, leader of the local NGO Consejo Cívico de Organizaciones Populares e Indígenas de Honduras (Copinh), the four received US\$22,000 in total to plan and carry out the assassination.

The government led by President Juan Orlando Hernández has been under huge domestic and international pressure to get to the bottom of the murder of Cáceres, who had received international recognition by environmentalist groups for her work opposing the 'Agua Zarca' hydroelectric project, located on the Gualcarque River in Honduras's Santa Bárbara department.

Those arrested include current and former members of the military with ties to Desarrollos Energéticos SA (Desa), the firm responsible for building the Agua Zarca dam. The detainees have been identified as: Sergio Ramón Rodríguez, the manager for social and environmental issues at Desa; Mariano Díaz Chávez, an active infantry major; Edison Atilio Duarte Meza, a retired infantry captain; and Douglas Geovanny Bustillo, a former lieutenant and Desa's deputy head of security. Emerson Duarte, the twin brother of Edison Duarte, was also questioned in a separate operation the same day. According to local media reports, he may have had in his possession the weapon used in the assassination. Police are reportedly still after a sixth suspect. The public ministry said that the arrests were made as part of 10 raids: four in Tegucigalpa, four in La Ceiba, and two in Trujillo, the latter two both cities on the northern Caribbean coast. The raids were part of 'Operación Jaguar', carried out by the special prosecutor for crimes against life (FEDCV), the criminal investigations agency (Atic), and the military police (PMOP).

A judge, whose identity has been kept secret for security reasons, remanded four of the five detainees to the national penitentiary, the country's main jail, located in northern Tegucigalpa, on 9 May with a preliminary hearing set for 60-120 days. The US embassy in Tegucigalpa issued a statement welcoming the arrests, noting that the US would "continue to follow closely as the suspects arrested enter the judicial process, as well as any future arrests, and will continue to support this investigation in any way we can".

However, Copinh and international human-rights groups including Amnesty International (AI) continue to raise concerns about the investigation. In a statement, Cáceres's family and Copinh questioned the arrests, complaining that they had been excluded from the investigation process. They denounced continued threats against them, and reiterated calls for assistance by the Inter-American Commission on Human Rights (IACHR) in the investigation. These concerns were echoed by AI, whose director for the Americas, Erika Guevara Rosas, said that the arrest of the suspects "raises a number of questions about the investigation" – particularly given the failure to inform Cáceres's family about developments in the case.

Meanwhile the local civil-society organisation Alianza por la Paz y la Justicia (APJ) issued a statement demanding justice also for the murders in December 2009 and December 2011 of Julián Aristides González, director of the country's anti-drugs directorate (DLCN), and his associate Alfredo Landaverde. Allegations that serving police officers were implicated in those crimes prompted the Hernández government to begin a new police reform process. A new special commission for police reform has already dismissed 27 of the country's 47 national police commanders under the process.

A further knock to Panama's image

Energy summit

President Juan Carlos Varela was also in the US for the US-Caribbean-Central American Energy Summit which took place on 3 and 4 May in Washington. Hosted by US Vice President Joe Biden, the summit will launch the results of the energy task force for the Caribbean and Central America announced by President Barack Obama last spring. A US State Department press release notes that the summit "is also aimed at identifying steps that the US and regional leaders can take to ensure that citizens of these regions achieve a more secure, affordable, and clean energy future".

President Juan Carlos Varela last week travelled to the US. His visit was intended to shore up confidence in his government's efforts vis-à-vis transparency following the 'Panama Papers' – the biggest leak of secret information in history [WR-16-13] exposing the internal operations of a Panama-headquartered law firm dedicated to the incorporation of offshore entities. However these assurances were overshadowed by the US government's decision announced on the final day of his visit to blacklist one of Panama's most important business groupings.

During his visit President Varela spoke at the 46th Annual Washington Conference on the Americas, co-hosted by the US Department of State and the Council of the Americas, in which he insisted that "Panama's success does not depend on irregular flows of money into our financial system. Our success story is based on the hard work of the Panamanian people." Varela pointed to the installation on 29 April of an independent commission to review Panama's domestic laws and regulations. He also said his government would begin negotiations on bilateral agreements for the automatic exchange of tax information, incorporating the Common Reporting Standard (CRS), in line with the Organisation for Economic Co-operation and Development (OECD), as in Singapore, Hong Kong and The Bahamas among others. He said that "Panama will soon begin the negotiations of tax information exchange agreements with G-20 members, like Japan and Germany, who have endorsed our position".

Varela also trumpeted as signs of progress an Intergovernmental Agreement (IGA) inked on 27 April with the US to implement the Foreign Account Tax Compliance Act (Fatca) – the legal instrument for the automatic exchange of financial information between both countries. On 28 April after a meeting in Panama City between Panama's finance & economy minister, Dulcidio de la Guardia, and Colombia's finance minister, Mauricio Cárdenas, the two officials announced an information sharing agreement would be signed in June which would establish an initial phase of information sharing until 2018, after which the process would become automatic.

Varela's efforts to reassure regarding Panama's financial system were somewhat undermined, however, by the decision by the US Department of the Treasury's Office of Foreign Assets Control (Ofac) announced on 5 May to designate a group of Panama-based companies as a money laundering operation (Waked Money Laundering Organization, Waked MLO) and their heads, Nidal Ahmed Waked Hatum and Abdul Mohamed Waked Fares, as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act). The designation freezes all assets of the individuals and entities under US jurisdiction or in the control of US persons, and prohibits US nationals from engaging in transactions with them.

One of Panama's most important business groupings, the Waked family has interests in real estate, banks, media, retail and a re-export operation in the Colón free zone (ZLC). An Ofac press release notes that the operation used 68 companies including: Grupo Wisa, a holding company for businesses involved in real estate, construction, retail, hospitality, and media (including two Panamanian national dailies, *La Estrella* and *El Siglo*); Vida Panama (an import/export company in the ZLC); and Balboa Bank & Trust. Described by the US Drug Enforcement Administration (DEA) as "one of world's biggest drug money launderers", Waked Hatum was arrested in Colombia on 4 May by Colombian police, after being charged in the US's Southern District of Florida with money laundering and bank fraud.

POSTSCRIPT

Quotes of the week

“This is the saddest day in the history of our young democracy. This isn't a valid constitutional process, it is a coup that goes against the opinion of the majority in the 2014 election.”

Vanessa Grazziotin, a federal senator from the Partido Comunista do Brasil (PCdoB) on the suspension of President Dilma Rousseff to face an impeachment trial.

“Populist governments always act with fiscal irresponsibility and when they fail they appeal to the old ‘us versus them’ argument.”

Senator Aécio Neves, of the Partido da Social Democracia Brasileira (PSDB), who lost the 2014 presidential election to President Rousseff.

“We have reached the summit of all crises. We have arrived at the ruins of a government...It was not for lack of warning...I warned her about the possibility of suffering impeachment. But they did not listen to me.”

Senator Fernando Collor de Mello who resigned from office in 1992 facing impeachment.

Medina poised for re-election in Dominican Republic

Dominican President Danilo Medina is confident that his sky-high approval rating will see him sail home against Luis Abinader, his rival from the fledgling opposition Partido Revolucionario Moderno (PRM) and allies in presidential elections on 15 May. Greater uncertainty surrounds the outcome of congressional and municipal elections which will be held on the same day for the first time in over two decades.

Medina wound up his campaign this week with a rally in the northern city of Santiago de los Caballeros, the country's second largest, where he focused on his government's achievements over the past four years. He appeared alongside his running mate, Vice-president Margarita Cedeño, and her husband, thrice-former president Leonel Fernández (1996-2000; 2004-2012). Medina said his government had delivered rapid GDP growth and low inflation. He promised more of the same (over 5% growth and single-digit inflation every year until 2020) with a resultant jump in the size of the middle class from 28% to 38% of the population. He said he would expand the 911 emergency call system introduced by his government to northern, eastern and southern provinces, and (following Uruguay's lead) provide 950,000 school children (and 79,500 teachers) with computers.

In a rally in the municipality of Santo Domingo Norte, Abinader promised to purge the police of corruption as part of a wider reform to enhance public security; boost teacher salaries; and ramp up health spending to 3.5% of GDP by 2020. He also said he would use the funds which he claimed the Medina administration was wasting to establish a minimum wage of US\$500 a month.

Most opinion polls have Medina winning at least 60% of the vote. Historically, the winning party at a presidential level sweeps the senate but the contest in the chamber of deputies could be a lot more competitive. The PLD is competing together with the Partido Revolucionario Dominicano (PRD), previously the main opposition, while the PRM (a PRD splinter) has struck an electoral alliance with the Partido Reformista Social Cristiano (PRSC).

In order to avoid a delay in releasing the results, the electoral authorities (JCE) are using an electronic counting system for the first time, which Abinader and the PRM have fiercely criticised, demanding a manual count. The JCE has partially backed down and says the manual count will be used for the presidential elections.

LatinNews Daily

LatinNews Daily is an essential briefing tool for anyone with a serious interest in Latin or Central America and the Caribbean and is relied upon by thousands of LatAm professionals world-wide.

It is the definitive English language resource delivered via email at 0800 EST outlining all key developments throughout the region with expert analysis on the likely impact of each development.

LatinNews Daily costs just \$1,760 USD or £1,080 GBP for the year. For a 10-day free trial register at www.LatinNews.com, or for further information please contact Maria Isotalo via our online form at: www.latinnews.com/contact-us.

LATIN AMERICAN WEEKLY REPORT is published weekly (50 issues a year) by **Latin American Newsletters**, Hamilton House, Fourth Floor, Mabledon Place, London, WC1H 9BB, England. Telephone +44 (0)203 695 2790, Email: subs@latinnews.com or visit our website at: <http://www.latinnews.com>

EDITOR: JON FARMER. Subscription rates will be sent on request. Overseas subscription sent by airmail. Printed by Quorum Print Services Limited, Unit 3, Lansdown Industrial Estate, Gloucester Road, Cheltenham, Glos. GL51 8PL **COPYRIGHT © 2016** in all countries. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, electrical, chemical, mechanical, optical, photocopying, recording or otherwise, without the prior written permission of the publishers. Registered as a newspaper by Royal Mail. **REFERENCES:** Back references and cross-references in the current series will be made thus: WR-16-01 will indicate Weekly Report, 2016, issue 1.