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## Venezuelan opposition thwarted in attempt to dislodge Maduro

As widely expected, Venezuela's national electoral council (CNE) has put the kybosh on opposition hopes of a presidential recall referendum this year. And it has not entirely left the door open to one next year either. The main opposition coalition Mesa de la Unidad Democrática (MUD) is running out of constitutional options to remove President Nicolás Maduro from power, barring his voluntary resignation.

The president of the CNE, Tibisay Lucena, revealed on 9 August, a convoluted and protracted process to conclude the MUD's recall referendum petition, the upshot of which should mean that it is logistically impossible for a vote to take place before 10 January 2017, the mid point of the six-year presidential term. As such, even if President Maduro were recalled, he would be replaced by his vice president, thus ensuring that the ruling Partido Socialista Unido de Venezuela (PSUV) would retain power until the next scheduled presidential elections in late 2018.

Lucena announced that a second signature drive, which is necessary to trigger the actual referendum, would "probably" take place in late October, providing that "all the regulatory requirements are fulfilled". After the validation of these signatures, the CNE would then stage the recall referendum "within 90 continuous days". If the CNE's validation process takes anywhere near as long as the three months required from submission of signatures by the MUD on 2 May for the first phase of the recall referendum, late April 2017 would seem to be the earliest date a vote could actually be held.

The MUD has called for peaceful marches across the country on 1 September to push for the referendum to take place this year, in which case a successful vote would trigger a snap election, which all polls indicate the MUD would win. Henrique Capriles Radonski, an opposition figurehead, said the MUD's second signature drive, which must tally 20% of the registered electorate (or some 3.7m voters), would go ahead next month, as planned.

Capriles blasted Lucena and the CNE for its "exercise in cynicism and lies", and said that the body's rectors (four of five government-aligned) could not deny 19m voters their constitutional rights. This is also the position taken by the US government, which has called upon the Venezuelan authorities on several occasions to hold a "timely" referendum, without "unnecessary" delays. The US State Department is yet to respond to the latest CNE obfuscation.

The MUD does not really have any other options to pursue to remove Maduro by constitutional means. In theory the national assembly has considerable powers to make life difficult for his government. With a three-fifths vote, for instance, the national assembly can censure the executive vice

## **MUD looks abroad for support**

With no institutional redress possible at home, the (MUD) president of Venezuela's legislative foreign affairs commission, Luis Florido, will meet US State Department officials in Washington on 11 August, as well as the secretary general of the Organization of American States (OAS), Luis Almagro. Florido says he will denounce the CNE's "violation of the constitution" through its indefinite deferral of the staging of the recall referendum. Florido also says he will urge Almagro to continue to take steps to invoke the Inter-American Democratic Charter on Venezuela.

president and cabinet ministers, and request their removal from office. But in practice the MUD-controlled assembly is rendered impotent by the omnipotence of the PSUV-aligned supreme court. The MUD has already tried to force out the food minister earlier this year, only for the supreme court to rule that particular session null and void. Maduro thus ignored the request, leaving the minister in place.

## **The not-so-creeping militarisation of power**

In the event of an affirmative recall vote next year, the vice president would become the face of government. The current vice president is Aristóbulo Istúriz, a civilian and a veteran local politician, who began his career in the traditional party, Acción Democrática (AD, now under the MUD umbrella). Appointed last January, Istúriz has been marginalised of late as the military has taken centre stage.

In the current context, there is some concern that the defence minister and head of the Venezuelan military, General Vladimir Padrino López, recently appointed to the helm of a new 'national supply command' (to which other ministries are subordinate), could become the locus of power in the country. Approaching the mid point of his term, Maduro will likely reshuffle his cabinet in January, as is customary each New Year. If Padrino López were to be elevated to vice president, and Maduro subsequently recalled, this could raise the prospect of a de facto military government. Already, about a third of ministers in the current cabinet hail from the military.

Rocío San Miguel, the head of a Venezuelan civil association focused on defence and security, Control Ciudadano, tweeted upon Padrino López's recent promotion, "the dialogue for transition will be with the military". As such, the Bogotá-based think-tank, International Crisis Group (ICG), pointed out the importance of understanding the military's goals, and warned that these goals are highly unlikely to be uniform.

"Rather than merely shoring up an increasingly unpopular president, the aim of the generals may be to control the transition in a way that protects their own interests," the ICG argued in a commentary published on 5 August entitled, '*Slow-motion coup in Venezuela?*'

"The military can be expected to be particularly attentive to their sources of revenue, some of them illicit, to their political powers, and to their reputation as custodians of Venezuela's peace and sovereignty," the ICG said. "Different priorities may well correspond to distinct factions within the armed forces." However, a military gamble for power is fraught with risk. As others have also pointed out, in becoming the face of the economic and social crisis in the country, the military also becomes responsible for it in the eyes of the public.

## **What of the regional elections?**

The other factor at play is the outcome of regional elections, which are due in December this year, to elect state governors and municipal mayors in Venezuela's 23 states and capital district. The PSUV currently controls 20 states and, crucially, as many as 10 of these are governed by military and ex-military men, who may be loath to lose their positions. Polls indicate a resounding punishment vote against the PSUV in any type of election at the current juncture.

The CNE has yet to call this ballot, and its window to do so is beginning to narrow. Within the MUD, there is now speculation that the process might be postponed until June 2017. In the event that Padrino López was in the presidency, or remained positioned close to it, at that point, those same governors might feel more secure going to the polls, particularly if the 'national supply command' was getting food on the table of Chavista voters.

## Fujimoristas secure main commissions

The main opposition Fuerza Popular (FP) will control 13 congressional commissions, including the coveted budgetary and general accounts commission. Various ministers had warned about “a clash of powers” if the ruling Peruanos por el Cambio (PPK) did not end up with this commission, which traditionally goes to the ruling party. But PPK spokesman Carlos Bruce downplayed the issue. He expressed satisfaction with the negotiations, saying that “you win some and you lose some”. He said PPK had secured the vice-presidency of the budgetary and general accounts commission, as well as the presidency of three congressional commissions: economy, justice, and foreign trade and tourism.

## Kuczynski kicks off with regional tour

President Pedro Pablo Kuczynski is moving swiftly to roll out his government’s plans to enhance social development in Peru’s regions, to provide safe drinking water for all, and to make strides towards formalising the large informal sector of the economy. The septuagenarian head of state also sent a message out to his detractors that he is fit and ready to go by participating in an invigorating fitness session with the majority of his cabinet outside the presidential palace in Lima.

President Kuczynski met six governors from Peru’s eastern macroregion during official visits to the southern regions of Puno and Madre de Dios this week. Kuczynski was accompanied by a ministerial delegation including his prime minister, Fernando Zavala; the energy and mines minister, Gonzalo Tamayo; the environment minister, Elsa Galarza; and the development and social inclusion minister, Cayetana Aljovín.

Kuczynski’s first port of call was Puno where a state of emergency has been declared in 14 districts because of very low temperatures. Kuczynski, who came armed with humanitarian assistance, promised electricity and water for inhabitants of Puno, as well as expanding public health services. He also promised to construct 10 water treatment plants alongside Lake Titicaca, the highest navigable body of water in the world, stressing that cleaning the badly contaminated lake would help to improve public health in Puno.

Kuczynski courted controversy during his visit to Puno, which borders Bolivia, by saying that “frankly it doesn’t concern me that there is a bit of contraband”. The political opposition pounced on his comments. “How are we going to formalise Peru [a major stated intention of Kuczynski’s] if we go about promoting or supporting contraband?” Deputy Cecilia Chacón, of the Fujimorista Fuerza Popular (FP), asked rhetorically. Kuczynski was compelled to backtrack, insisting that he did not support contraband, a significant social problem in Puno, but advocated “sensible fiscal policies” that do not encourage tax evasion: “What I was trying to say is that if we have very high taxes then contraband appears,” he said.

### Informal mining

Kuczynski then travelled on to Puerto Maldonado, the capital of the region of Madre de Dios, where he met representatives of local indigenous communities, informal miners and regional governors. Kuczynski said his delegation had come to Madre de Dios to listen to the problems associated with the formalisation of the mining sector, and would subsequently set up a working group to take the issue forward. Kuczynski met 15 representatives of the informal miners and the governor of Madre de Dios (and long-time leader of informal miners), Luis Otsuka Salazar, who celebrated the fact that “a head of state is finally visiting after eight years”.

Otsuka requested the repeal of legislative decrees approved by the administration of Kuczynski’s predecessor Ollanta Humala (2011-2016) to regulate mining activity and formalise the sector to deal with the problem of illegal gold mining (worth up to an estimated US\$1.5bn a year). Otsuka said he was confident that Kuczynski understood that the laws were “bad” and designed “to destroy mining activity”. The region voted overwhelmingly in the presidential elections for Kuczynski’s rival Keiko Fujimori, who had signed an

## Popularity

President Kuczynski begins his five-year term in office with an approval rating of 70.4%, according to an opinion survey by the national pollster CPI. This will make pleasant reading for Kuczynski, who won the most closely contested presidential elections in Peru's history against Keiko Fujimori. The CPI gave Kuczynski an approval rating of 73.7% in Lima, and 68.6% in the interior of the country. Kuczynski's disapproval rating was just 18.6%. Peruvian heads of state tend to haemorrhage support, with the previous three incumbents all having seen their approval ratings fall to below 20%.

accord with representatives of the informal miners undertaking to reverse the formalisation laws if she won election. Last November the region of Madre de Dios staged a strike to demand the repeal of new regulations to end illegal logging and gold mining and formalise small scale miners in the area.

Kuczynski told representatives of informal miners that it was important to reach a consensual solution on formalising the sector: an estimated 1m Peruvians nationwide are involved in informal mining, 5% of the workforce. "What we want for Madre de Dios is to create jobs and activity," Kuczynski said. "The price of gold is rising, the market has improved a bit... [but] we want to preserve the environment or tourism will die, and there are many other reasons to preserve the environment". Not least health-related concerns. The Humala administration declared a 60-day state of emergency in Madre de Dios in late May after tests revealed a high level of mercury in local rivers.

Kuczynski and Zavala also met the governors of Loreto (Fernando Meléndez), Ucayali (Manuel Gambini), Amazonas (Gilmer Horna), San Martín (Victor Noriega), and the deputy governor of Huánuco (Rosalia Storck) during the visit to Madre de Dios to discuss an agenda to protect the Amazon; formalise mining; management of resources; agroforestry and aquaculture to provide sources of employment; and improve road connections and energy distribution. Zavala stressed that he would organise meetings with regional governors every two months.

## Workout Wednesday

Before embarking on his mini regional tour, Kuczynski took part in a fitness session on 4 August with 12 of his 19 cabinet ministers. They were put through their paces by two fitness instructors in front of the presidential palace in Lima for the best part of half an hour. Kuczynski said cabinet ministers would don their tracksuits and trainers every Wednesday for repeat sessions before weekly cabinet meetings.

"We want to promote health, a healthy mind in a healthy body, let's not forget the Pan-American games in 2019 [organised by Peru] and we want everyone to be aware of this, training and full of life," Kuczynski said. This is the official explanation but it also looks like Kuczynski's response to criticism during the electoral campaign, including from Fujimori, that, at 77, he is too old for the job. Kuczynski said he exercises daily in a local gym.

## Police death squad rumours

The interior minister, Carlos Basombrío, said this week that there were "very strong indications" of the existence of a death squad in Peru, comprised of police officers who allegedly carried out extrajudicial executions in order to obtain professional and economic benefits. Some 96 police officers of different ranks are suspected of executing 27 small-time criminals passed off as bigger fish in five 'operations' across Peru between 2011 and 2015.

Basombrío ordered a ministerial probe on 2 August to file a report within 10 days into the case, which he said was "very serious". He was responding to an episode of the investigative television programme *Cuarto Poder* during which an alleged collaborator said that a local police commander had "organised everything", gaining personal promotion while police officers involved in the executions were paid. One of the police 'operations' saw officers shoot down five men they claimed were preparing to stage a raid on a petrol station in the suburbs of Lima in June last year.

There are now three investigations currently taking place into the police death squad allegations: one by the public prosecutor for organised crime and two by the interior ministry. The 96 police officers accused of participating in the executions have been suspended from their positions which range from junior ranks up to colonel.

## Demobilisation

President Santos sought to allay public concerns about the Farc 'concentration zones' this week.

"Local communities will not be affected in any way at all, there is no cause for concern...quite the contrary, there will be every sort of safeguard," he said, pointing out that the armed forces would provide security around the concentration zones. "The Farc will enter these areas and stay for six months and once the process of disarmament is certified...they will leave these zones and start their process of reincorporation [into society]," Santos added. On 5 August the government and Farc negotiating teams announced a security protocol for the safe demobilisation of Farc guerrillas. Representatives of the negotiating teams in Cuba and members of the United Nations visited the concentration zones this week.

## Public could reject peace referendum

After all the trials and tribulations associated with the current peace process with the Fuerzas Armadas Revolucionarias de Colombia (Farc) over the course of nearly four years of negotiations, two opinion surveys in a matter of days revealed, for the first time, that the public might reject an eventual accord in a referendum. The volatile nature of support for the peace process is a major concern for President Juan Manuel Santos. Paradoxically, in order to cement his legacy as the man who delivered peace with the Farc, Santos might need to retreat into the background. The polls suggest that, with an approval rating of just 23%, Santos will be more of a liability than an asset in the referendum campaign.

According to two opinion polls by Ipsos and Datexco, the 'No' vote would win the referendum on a peace accord with the Farc. The Ipsos survey shows 'No' winning by 50% to 39%. This is a dramatic change from a month earlier when 'Yes' held a 56% to 39% advantage, showing that the outcome cannot be taken for granted. A total of 41% of respondents said they would not vote compared to 59% who would. The Datexco poll was much closer (32.1%-31.2% for 'No'). Two previous polls conducted slightly earlier, by Cifras y Conceptos and Centro Nacional de Consultoría, predicted comfortable wins for the 'Yes' vote.

A total of 75% of respondents in the Ipsos poll opposed Farc leaders being allowed to participate in politics upon demobilisation, and 88% insisted they should pay for their crimes in jail, while 59% felt the state would not have full control of the 'concentration zones' where Farc guerrillas would be gathered during demobilisation (*see sidebar*). These are fears that will be played on by senator and former president Alvaro Uribe (2002-2010), the leader of the right-wing Centro Democrático (CD).

Uribe confirmed this week that he will campaign for 'No' against the combined might of the coalition government, left-wing opposition, and social and human-rights organisations, not to mention fulsome expressions of support for the peace accord from the whole of the international community. In this respect the referendum bears a strong resemblance to the referendum on remaining in the European Union (EU) held in the United Kingdom (UK) on 23 June, the outcome of which will suffice to alert Santos to the very real dangers of relying on the weight of support behind the 'yes' vote to carry the day.

The rationality of Santos was essential to pursue the peace accord; but the emotional appeals of Uribe could well be more effective in a referendum campaign. Uribe is intent on turning it into a plebiscite on Santos, or 'plebisantos', encouraging people to express their discontent with the government, part of which, ironically, is that Santos is perceived to have devoted all of his attention to pursuing peace with the Farc to the detriment of other important areas, such as the economy, agriculture and healthcare.

The failings of the 'Remain' campaign in the UK could be instructive for Santos. He will want to avoid being drawn into fiery personal exchanges with Uribe that gain more press than the actual issue at stake. It would also help if he could provide a positive vision for a post-accord Colombia rather than resorting to scare tactics. His warning in June that failure to approve the peace accord would see the Farc return to urban attacks, and increased taxes to finance the cost of the war, was criticised by the 'Yes' and 'No' camps alike. All the talk of the "irreversibility of peace" also runs the risk of insulting the public by implicitly disenfranchising voters in the referendum.

## Bolívar port investment

On 8 August Ecuador's President Rafael Correa announced that his government had signed a public-private partnership (PPP) contract with Turkey's Yilport Holding Inc, under which the firm has agreed to invest US\$750m in the improvement of the port of Bolívar in the southern province of El Oro. Correa said that the investment would entail the dredging, expansion and modernisation of the port in order to help increase cargo traffic through it. Noting that "the state will not pay one cent" for the improvements, Correa said that the project will help to boost Ecuador's competitiveness by turning Bolívar into "one of Latin America's most modern ports on the Pacific". According to Correa, the project will also create 600 direct and 1,800 indirect jobs.

**BOLIVIA | Dispelling economic crisis concerns.** On 8 August Bolivia's President Evo Morales denied that the country was undergoing an economic crisis even though he himself has expressed concerns that the persistently low level of international commodities prices has led to a domestic economic slowdown.

Recently Morales has warned that the fall in international hydrocarbon prices was producing a slowdown in economic activity in Bolivia, where monthly GDP growth fell from 4.95% in March to 4.3% in June, on the back of lower exports of natural gas – Bolivia's main export – to the likes of Argentina and Brazil. Indeed, according to the latest figures from the local think-tank Instituto Boliviano de Comercio Exterior (IBCE), Bolivia's hydrocarbon exports in the first half of the year fell by 50% year-on-year in value terms to US\$1.12bn (and by 8% in volume terms), taking overall exports to US\$3.3bn – 28% less in value terms than last year.

However, in a public event to mark Bolivia's national independence day, Morales was adamant that the economic slowdown did not yet represent a crisis. "If Bolivia were in crisis there would be no economic growth," Morales said noting that the central bank (BCB) is still forecasting 5% GDP growth this year, while the United Nations Economic Commission for Latin America and the Caribbean (Eclac) is forecasting 4.5%, its highest projection for any South American economy. Morales said that the government's goal was for Bolivia to post the fastest economic growth rate in South America for the third consecutive year in 2016 and that if this was not achieved all his ministers would be "ousted".

**COLOMBIA | Budget warning.** On 4 August Colombia's comptroller general's office (CGR) released its general budget report in which it warned that planned spending cuts for the 2017 national draft budget recently announced by the government led by President Juan Manuel Santos will not be enough to ensure a reduction in the fiscal deficit.

The 2017 draft budget, which was formally presented to congress on 5 August, is the third in a row in which the Santos government has had to resort to some belt-tightening as it tries to adjust to a more adverse economic scenario of persistently low international oil prices and a domestic economic slowdown. The government has said that the Col\$9trn (US\$2.98bn) cut in spending implemented in its 2015 budget and the Col\$6trn (US\$2bn) cut implemented in this year's budget represented 'delayed spending' that would be executed in 2017. However, after analysing the draft 2017 budget, the CGR has warned that the 2015-2016 cuts now have to be definitive due to the continued relative scarcity of resources.

The 2017 budget already contemplates a Col\$4trn-Col\$5trn reduction in investment spending compared to the Col\$40.8trn allocated for this year. But the CGR believes that this will not be enough to ensure a balanced budget and has advised the government that it needs to find a new reliable source of financing (i.e. new sources of tax revenue) in order to do so. In particular, the CGR said that this is a priority as the government's current spending looks set to continue increasing in the medium term after increasing by 12% to Col\$144trn last year and it is being projected to increase by an additional 6.8% to Col\$154.3trn in 2017.

The CGR noted that other government spending commitments that by law are inflexible, such as pensions, are also set to increase in the medium term. In fact the CGR has pointed out that the 2015 budget cuts had affected the national pension system and that it was investigating whether there had been any infringement of the law as a result of this. According to the CGR, approximately 32% of the 2015 cuts indirectly fell on the pension system as the government recued its transfers to the state-run pension fund administrator, Colpensiones, and the national public sector pension fund. The CGR said that it was closely analysing this, as it could represent "a violation of pension annuity rules" and the government's legal pension commitments.

The CGR head, Edgardo Maya, said that the inflexibility of such spending commitments had to be analysed, as well as the need to conduct a new tax reform that will help to cover these. The remarks by Maya were hailed by Finance Minister Mauricio Cárdenas, who said that they further highlighted need for a new tax reform, which the government plans to pursue next year.

## More damage for Temer

In other new plea-bargain testimony to emerge in local media reports, the jailed construction baron, Marcelo Odebrecht, has reportedly alleged that his firm, the largest construction company in Latin America, funnelled irregular financial and political campaign contributions both to the interim president, Michel Temer, and the current foreign minister, José Serra, of the centre-right Partido da Social Democracia Brasileira (PSDB). Denials were duly put out, but the damage to the Temer administration was likely already done. Within days of taking over, Temer lost three of his newly appointed ministers in quick succession to the Petrobras scandal.

## BRAZIL & SOUTHERN CONE

### BRAZIL | POLITICS

## Rousseff closer to exit door

With her formal impeachment trial expected within a fortnight, Brazil's suspended president, Dilma Rousseff, has already packed her bags and plans to take some time out, with trips to neighbouring Uruguay and Chile in South America and perhaps also to central Europe, from where she traces her family roots. But Rousseff will not want to be away from her Porto Alegre home for too long, according to friends, not because of any planned political comeback, but because she cannot bear to be without her two grandchildren.

Rousseff can go ahead and book her plane ticket, as the impeachment trial now looks set to begin on Tuesday 23 August and could well be wrapped up before the end of that week. Rather conveniently, that would allow the interim president, Michel Temer, to attend a G-20 summit in China in early September with his position formalised; reportedly, Temer did not want to attend the summit as interim leader and has pushed the federal senate for a speedy trial.

After a long and raucous session lasting all day on 9 August, the 81-seat senate plenary, overseen by the president of the supreme court (STF), Ricardo Lewandowski, finally voted in the small hours to indict Rousseff on charges of budget mismanagement, the allegation being that she breached fiscal rules by borrowing from state banks to cover federal government budget gaps without informing congress, thereby allowing for additional spending ahead of the October 2015 general elections (in which Rousseff was re-elected for a second term and the leftist Partido dos Trabalhadores [PT] for a fourth consecutive term in government). Brazil's real closed at R\$3.13/US\$1 on 10 August, strengthening on the senate vote to indict Rousseff.

An earlier report by the senate's impeachment committee had also declared Rousseff a "dishonest administrator", implying that she knowingly broke the fiscal rules. Under the Brazilian constitution, that is an impeachable offence. Rousseff continues to deny the charges and dismisses the whole thing as a farce. She is in the process of writing a letter to senators ahead of the final trial, in a bid to persuade waverers to her side. Drawing on polls indicating that the public neither wants her reinstated nor Temer confirmed as president until 2018 (when the next general election is scheduled), Rousseff has suggested that if senators reinstate her, she would propose a public referendum to ask voters if they wanted to choose a new president; if so, she would call fresh elections next year. Rousseff's predecessor and mentor Lula da Silva (2003-2011), the arch strategist, was said to be negotiating PT support for municipal election candidates in return for the support of certain senators.

Just a simple majority of senators (41) was required to approve the indictment on 9 August; but the vote was 59-21, well over two-thirds. In May, when the senate first voted to proceed with impeachment proceedings, it did so by 55-22, so Rousseff has since lost support. To remove her at the end of the formal trial requires another two-thirds majority vote – which appears a formality at this stage.

### PT takes a step away from Rousseff

While the PT refers to the impeachment as 'a coup', and Rousseff still has vocal supporters (some of whom have staged protests at the Olympics in Rio de Janeiro), others in Brazil are taking a pragmatic view and want to move forward after nine months of unprecedented political and economic upheaval. The senate vote this week also reflected that sentiment.

## Cunha next

The president of the federal chamber of deputies, Rodrigo Maia, has set 12 September for a plenary vote on whether to expel the suspended speaker, Eduardo Cunha, and ban him for politics for eight years. Cunha, who initiated the impeachment proceedings against Dilma Rousseff in late 2015, was forced to stand down himself in July after being caught up in the Petrobras scandal, with allegations that he diverted large sums of money in bribery earnings to Swiss bank accounts. If stripped of his mandate, Cunha, of the now-ruling PMDB, will lose his immunity from prosecution.

Nonetheless, ahead of the vote, the PT secured some unexpected support for its position from the US senator for Vermont and recent Democratic Party presidential hopeful, Bernie Sanders. He issued a statement declaring the effort to remove Rousseff “not a legal trial but rather a political one”, and called on the US not to “sit by silently while the democratic institutions of one of our most important allies are undermined”.

In spite of this, the PT appears resigned to Rousseff’s fate. Ahead of the municipal elections in October, the party is tacitly moving to distance itself from her and focus its energies on settling alliances for the municipals. In reality, Rousseff, not a PT ‘original’, has always been considered an outsider and when parachuted in by Lula as his preferred successor ahead of the 2010 elections, she was only accepted on his say-so. Thereafter, as president, her stern and somewhat stubborn personality; her tendency to micro-manage; and her dogmatic policy attitude, failed to endear her to the party. Now, her refusal to accept any responsibility for her alleged crimes, or to apologise in any way for her blemished economic record in office, has further alienated her.

The municipals are won and lost on local bread-and-butter issues, and while the PT and Temer’s Partido do Movimento Democrático Brasileiro (PMDB) are currently sworn enemies in Brasília, the two former coalition partners have legions of tactical alliances at municipal level that will be left in place if mutually convenient. Such is the convoluted political game in Brazil and hence the PT’s need to distance itself from Rousseff and focus on defending its local bases.

Meanwhile, the PT’s chances of rehabilitating Lula, with a view to fielding him again as its presidential candidate in 2018, appear ever more challenging. On 5 August, the federal attorney general’s office said it had sufficient evidence that Lula had “actively participated” and “directly and indirectly” benefitted from the massive graft network uncovered at the state-run oil company Petrobras. This followed a judicial ruling on 29 July that Lula should face obstruction of justice charges following allegations by a former PT senator turned state witness, Delcídio do Amaral, that Lula was involved in plans to bribe a senior Petrobras executive to keep quiet about the full extent of the goings on at the company.

On 8 August, federal police issued a summons for Lula’s wife, Marisa Letícia Lula da Silva, to make a statement in a case relating to two properties, one a ranch in Atibaia, in the interior of the state of São Paulo, of which investigators suspect Lula of rightful ownership (it is registered to two business associates of his, Fernando Bittar and Jonas Suassuna, both also summoned) and another, a beach house in Guarujá (on the São Paulo coast), that investigators suspect was ‘gifted’ to Lula in return for political favours. No date has been set for these depositions.

### Olympic Spirit from Cidade de Deus

As of 10 August, Brazil was ranked 15<sup>th</sup> in the table of Olympic medals, with just two medals so far: one gold for judo, with the lightweight 57kg title won by Rafaela Silva, who grew up in Rio’s notorious Cidade de Deus favela; and one silver for shooting, with Felipe Wu taking second place in the 10m air pistol competition.

Rafaela Silva’s tale of hard-won success against tough odds stirred local pride and was a much-needed beam of positivity from the Games, which, despite a successful start, remain under negative international scrutiny from many angles. It was also a particular boost for Brazilian female athletes, to date performing better than their male colleagues, notably including the Brazilian women’s football team, whose striker, Marta, captured hearts with a hat trick against China in their opening game. The fact that both Silva and Marta are gay has also been positive for Brazil’s LGBT community, which still endures harsh discrimination.

## Political polarisation grows

### Venezuela

Venezuela's President Nicolás Maduro seized upon the arrest warrant issued for Hebe de Bonafini as confirmation of his claim that there is "a new Plan Condor" underway in the Southern Cone. Maduro, locked in an acrimonious dispute over Venezuela's assumption of the pro tempore presidency of the Southern Common Market (Mercosur), said it was "one of the most immoral and unjust acts against dignity", and promised to turn to "all of the world's human rights organisations to denounce this attack by the pro-imperialist Right".

A federal judge ordered the arrest of Hebe de Bonafini, the leader of the Madres de la Plaza de Mayo, on 4 August after she failed to testify in a case of alleged fraud. One of the most ardent supporters of former president Cristina Fernández (2007-2015), De Bonafini, 87, condemned the government led by President Mauricio Macri for "pursuing the people" and "making a disaster of the country, reversing all the gains made [under 12 years of Kirchnerista governments]".

The case, known as 'Sueños Compartidos' ('Shared dreams'), relates to an investigation into alleged fraud and embezzlement through a programme dedicated to social house construction administered by the Fundación de las Madres de la Plaza de Mayo. A further 42 people are being investigated in the case including senior officials in the governments of the late Néstor Kirchner (2003-2007) and Fernández. Sueños Compartidos received Ar\$1.295bn (US\$266m at the present exchange rate) between 2005 and 2011 to construct 4,757 houses in different areas of the country, but only 822 of these were built, and those who erected them were left unpaid.

Federal police were unable to arrest De Bonafini at the headquarters of the Fundación as supporters surrounded her. She was later driven in a van by supporters to the Plaza de Mayo where the group has staged a protest every Thursday since 30 April 1977 outside the seat of government armed with white handkerchiefs. "I don't know what will happen, I don't know how far they are prepared to go," De Bonafini said, speaking in the square in what turned into an anti-government rally attended by former Kirchnerista officials, such as the ex economy minister Axel Kicillof. With the square cordoned off by police, and helicopters flying overhead, De Bonafini insisted she was not afraid as she had been arrested many times during the last military dictatorship (1976-1983). In justifying her decision not to go to court (she also missed her first court summons on 6 July) De Bonafini said that for 40 years she had suffered "aggression from the poorly named justice system".

Three days later there was another anti-government rally in the Plaza de Mayo as tens of thousands of people commemorated the feast day of Saint Cajetan, the patron saint of Argentina and the unemployed. The government said the march was "democratic" and insisted that it shared many of the demands of those taking part, who protested against big increases in utility tariffs and dismissals. The social development minister, Carolina Stanley, however, accused Kirchnerismo of trying to exploit the march politically, as several of the movement's figureheads, such as former foreign minister Jorge Taiana, took part in the march.

None of the trade union leaders who attended a meeting in the presidential palace Casa Rosada a week earlier, when Macri announced a healthcare reform (including the reimbursement of funds to social insurance schemes organised by the unions), took part in the march [WR-16-30]. But pressure from the trade union movement remains ahead of the unification of the three strands of the Confederación General del Trabajo (CGT) on 22 August. The CGT published a report on 5 August, entitled 'From bad to worse', which accused the government of "lacking an economic and political plan". Luis Barrionuevo, the leader of one of the three factions, CGT Azul y Blanca, who did not attend the Casa Rosada meeting, said, "We are faced with a weak government, the yuppies and CEOs who said they were going to solve all the problems...I hope they are on a crash course of learning because otherwise we are all screwed".

## Two hostages, one prisoner

Commenting on the latest kidnapping perpetrated by the Ejército del Pueblo Paraguayo (EPP), Interior Minister Francisco de Vargas said on 4 August that the insurgent group was currently holding two civilians hostage and one “prisoner of war”. De Vargas said that Mennonites Abraham Fehr and Franz Wiebe were hostages of the EPP, which has demanded a ransom for them. But De Vargas said that the non-commissioned police officer, Edelio Morínigo, abducted on 5 July 2014, is considered a ‘prisoner of war’ by the EPP. The EPP has not demanded a ransom for Morínigo but attempted to use him as a bargaining chip to secure the release of its imprisoned leader, Alcides Oviedo Brítez.

## New kidnapping prompts military shake-up

Paraguay’s President Horacio Cartes has relieved General Martín Cáceres from his position as head of the military-police task force (FTC) charged with combating the self-proclaimed Ejército del Pueblo Paraguayo (EPP) insurgent armed group in the north of the country. The move came in response to the presumed abduction by the EPP of a teenager from the Río Verde Mennonite colony in the northern department of San Pedro. Franz Wiebe Boschman is the second Mennonite to have been taken by the EPP in northern Paraguay in the past 12 months, once again prompting serious questions about how effective the FTC has been in hunting down members of the group, and increasing pressure on the Cartes administration.

Wiebe, 17, was taken hostage on 27 July (along with another worker later released), when a group of armed EPP members showed up on the farm where he was working. According to the authorities, believing that Wiebe is the son of the owner of the farm, the kidnappers demanded a US\$700,000 ransom for him from his family. Wiebe’s family has said that they lack the means to pay the ransom as they are just labourers and not landowners themselves.

This latest kidnapping in the EPP’s so-called ‘area of influence’ – which straddles the borders of San Pedro and Concepción departments – took place almost a year to the day after Abraham Fehr Banman was abducted by the EPP from the Manitoba Mennonite colony, also located in San Pedro department, on 8 August 2015. Landowner Fehr, for whom the EPP has demanded a US\$500,000 ransom, remains a hostage. All of this appears to have been sufficient for Cartes to decide to replace General Cáceres just nine months after he appointed him to head the FTC in the wake of Fehr’s kidnapping.

Cáceres’s removal was announced on 1 August in an official statement revealing that he had been replaced by General José Ramón Alvarenga Jara. The statement gave no reasons for the change but as it was announced Cartes met with his interior minister, Francisco de Vargas; the commander of the armed forces, General Luis Gonzaga Garcete; and the chief of the national police, Crispulo Sotelo, so there was little doubt that it answered to Wiebe’s kidnapping.

De Vargas told the press that the change was designed to make the FTC more efficient and to help it obtain better results, but this is the fifth change at the helm ordered by Cartes since its launch in 2013, all in search of improved results. This has led to heavy criticism of the FTC by the political opposition and the media. De Vargas sought to deflect this criticism by telling reporters that while the FTC’s results were not satisfactory, the task force had succeeded in “neutralising [arrested or killed] 100 terrorists” since 2013, leading to the dismantling of the EPP’s splinter group, the Agrupación Campesina Armada (ACA). De Vargas insisted that the continued deployment of the FTC was the best way to defeat the EPP, while noting that this was “not easy”.

Efraín Alegre, the newly elected president of the main opposition Partido Liberal Radical Auténtico (PLRA), called for the resignation of De Vargas and Police Chief Sotelo for the growing insecurity in the country, particularly in the north. This call was echoed by Senator Mario Abdo Benítez, the leader of the dissident faction of the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC) during a 7 August radio interview. Benítez, a fierce Cartes critic, said that “De Vargas is clearly not doing a good job...and we don’t understand why despite the political costs that this entails, President Cartes continues to hold on to someone who, whether responsible or not for recent incidents, should have been removed a long time ago”.

## Zapata's spirit stalks Zócalo

**Around 100,000 small farmers marked the 137<sup>th</sup> anniversary of the birth of Emiliano Zapata, the main leader of the peasant revolution in 1910, on 8 August by marching through the streets of the capital. Bused in from seven different states, the campesinos carried placards accusing the government led by President Enrique Peña Nieto of renegeing on a promise to deliver a land reform, for which Zapata fought over a century ago, and provide financial support for the struggling agriculture sector.**

The Unión Nacional de Trabajadores Agrícolas (UNTA) national farmers' union organised the march, which was attended by campesinos from seven states spread across Mexico: Guerrero and Oaxaca in the south; Nayarit in the west; Veracruz in the east; Zacatecas and San Luis Potosí in the centre; and Tamaulipas in the north. They gathered in four different areas of Ciudad de México before marching towards the Zócalo, the centre of government for both the nation and the capital. They demonstrated against the "disastrous" situation in rural Mexico, accusing the federal government of abandoning them.

The mayor of the Ciudad de México (CDMX), Miguel Angel Mancera, from the left-wing Partido de la Revolución Democrática (PRD), appeared on stage with leaders of the UNTA in the Zócalo. Addressing the marchers, Mancera made a series of vague promises to strike "a great alliance" with rural Mexico, as well as "an agenda". Mancera later revealed that he had been invited to attend the meeting. He underscored the importance of the relationship between the CDMX and rural Mexico, as well as the capacity "to listen and respond", which he said "defuses unrest".

Mancera faced some 'unrest', however, from many inhabitants of the capital, in central areas of which traffic was brought to a standstill for five hours as a result of the march. There is growing frustration about the disruptive nature of protest marches in the CDMX and other areas of the country. It was noteworthy, for instance, that members of Mexico's second largest teachers' union, Coordinadora Nacional de Trabajadores de la Educación (CNTE), which has repeatedly caused major hold-ups in the CDMX with protest marches against the government's education reform over the last two years, also joined the UNTA march.

The government's tolerance of CNTE protest action, especially after fatal clashes between union activists and the state and federal police in the municipality of Asunción Nochixtlán in Oaxaca on 19 June, is not matched by the private sector. The national confederation of business owners (Coparmex) staged a 24-hour strike in the eponymous capital of Oaxaca, on the same day as the campesino protest in the CDMX, to protest against the CNTE's roadblocks and disruption, and to criticise "ungovernability...and a power vacuum in the state". The strike was supported by over 800 businesses in addition to 120 hotels, as well as public transit firms. Coparmex called upon the government to resolve the conflict with the CNTE and clear the roadblocks in order to uphold the guarantee of work and free movement enshrined in the constitution.

The CNTE denounced the strike organised by Coparmex, claiming that it was "creating a climate of social lynching". The teachers' union accused Coparmex of serving "its own mean interests", and maintained that the business confederation was intent on "plundering and enrichment at the expense of the education of Mexicans".

### CNTE and Coparmex

The federal interior minister, Miguel Angel Osorio Chong, is deeply reluctant to break up the CNTE roadblocks in case there is a repeat of the fatal violence in Oaxaca. This would not only damage the federal government but it could also scupper Osorio Chong's aspirations of running for president for the ruling Partido Revolucionario Institucional (PRI) in 2018. With the economy stuttering, however, the government cannot afford to turn a deaf ear to Coparmex's demands. Coparmex is taking legal action in an attempt to force the government to take action to end the roadblocks.

### The price of petrol

Based on data from the specialist website *Global Petrol Prices*, a Mexican daily, *Excelsior*, has calculated that the price of a litre of petrol in Mexico in July stood at US\$0.77. This price is below the US\$0.97 average of the 175 countries for which data was available, but it makes Mexico just the 53rd country with cheapest petrol prices. Worryingly, for Mexico the price that is paid for petrol in the country is significantly higher than that in the US (US\$0.66) and Colombia (US\$0.67) – countries with comparable domestic economies and levels of oil production. In this light is not surprising the political opposition has described the increase in taxes on petrol announced by the government as an “unacceptable gasolinazo”.

**MEXICO | Electricity tariff increase.** On 1 August Mexico’s federal electricity commission (CFE) announced that it was increasing household, commercial, and industrial electricity tariffs respectively by up to 9%, 7.5% and 8.9% with immediate effect. This is the second tariff increase announced by the CFE for commercial and industrial consumers in as many months. As in July the CFE once again said it was related to “the increase in prices in the fuels needed to generate electricity”, particularly that of natural gas, which is the main fuel used by CFE electricity generating plants.

According to a CFE communiqué, industrial electricity tariffs have increased by between 5.2% and 7.5% compared to August 2015; commercial electricity tariffs have increased by 7.8% to 9% over the same period; while the tariff for households with the highest level of consumption has increased by 8.9%, but the tariff for households with low levels of consumption (which accounts for 90% of all households) remains the same.

The CFE said that despite the latest increases, electricity tariffs in the country remain lower than in 2014, when tariffs began falling in tandem with falling natural gas prices until these started rising again this year. Indeed the CFE stated that “From December 2014 to August 2016 industrial electricity tariffs decreased by between 17% and 27%; for the commercial sector the reduction was between 1% and 3%; and for high-consumption households it was of 1.4%.” It added that the tariffs for low-consumption households has fallen by 4% since December 2014 after this tariff had “increased by 4% every year since 2006 until 2014. But thanks to the energy reform, this tariff fell by 2% in 2015”.

Yet the increases announced by the CFE have been criticised by the political opposition, which has complained that they also come on the back of the increase in petrol prices announced by the state-owned oil firm, Pemex, on 28 July. The government justified the increase in petrol prices on the low price that Mexican crude is currently fetching in international markets, which is producing significant losses for Pemex. But federal legislators from the right-wing opposition Partido Acción Nacional (PAN) as well as the left-wing opposition Partido de la Revolución Democrática (PRD) have noted that the average 7.8% petrol price increase is the highest for 18 years, putting the price of petrol in Mexico amongst the highest in the world (*see sidebar*); and that coupled with the electricity tariff increases would severely hurt Mexican households. The legislators argued that this runs counter to the objectives of the government’s 2013 energy reform.

Opposition legislators succeeded in getting the permanent commission of the federal congress (which is in session while congress is in recess) to summon Energy Minister Pedro Joaquín Coldwell; CFE director Jaime Francisco Hernández; Pemex director José Antonio González Anaya; and the deputy finance minister, Miguel Messmacher, to appear before the body to answer questions about the petrol and electricity tariff increases.

**MEXICO | Increase in tax revenue.** Federal tax revenues in the first half of the year amounted to M\$1.39trn (US\$440m), a 10% increase compared to the record revenues recorded in the first half of 2015, and M\$177.93bn more than projected in the 2016 national budget, Mexico’s federal tax authority (SAT) reported. According to a SAT report, all tax revenue streams increased in the first half of the year but the biggest increase was observed in the special tax on production and services (leps) charged on fuels.

The SAT report stated that “The leps surpassed the revenue target by 26%, primarily driven by the increase in petrol and diesel.” This as the overall leps figures increased by 14.9% year-on-year in the first six months of the year to M\$212.96bn, or M\$43.96bn higher than had been budgeted for.

These results should be encouraging for the government led by President Enrique Peña and its plans to reduce the fiscal deficit this year. The results are even more remarkable given that on official figures, Mexico’s GDP contracted by 0.3% quarter-on-quarter in the second quarter as a result of a fall in industrial activity (which includes oil production and refining). Indeed the negative second-quarter economic growth figures prompted local economists surveyed by the central bank (Banxico) in July to revise down their growth projection for the year from 2.36% to 2.28%, while inflation forecasts have been slightly adjusted up from 3.10% to 3.19%.

**Official secrets legislation under fire**

With human-rights activists, environmentalists and journalists continuing to be killed with impunity in Honduras, the government led by President Juan Orlando Hernández is under renewed pressure to take remedial action. The spokesperson for the Mission to Support the Fight against Corruption and Impunity in Honduras (Maccih), the respected Peruvian jurist Juan Jiménez, has again called for a revision of the official freedom of information (FOI) law on the grounds that the legislation, approved in 2014, does not meet the standards of the Organization of American States (OAS, which is sponsoring the Maccih), or other international model legislation on transparency and public information.

The FOI law allows the executive and the heads of both central and decentralised institutions (i.e. the 18 departmental heads) to classify official information as 'reserved' or 'confidential' for five and 10 years respectively. Information classified as 'secret' or 'ultra secret' can be withheld for 15 and 25 years respectively. Far from a FOI law, the legislation has been dubbed 'the secrets law'.

The Inter American Commission on Human Rights (IACHR), an autonomous organ of the OAS, has also criticised the legislation as "a setback for freedom of expression" in Honduras. A leading local NGO, Alianza por la Paz y la Justicia, requested in March 2014 that the supreme court of Honduras review the constitutionality of the legislation, but is still awaiting a reply.

Honduras also remains under international scrutiny for the safety of journalists. It is the most dangerous country in Latin America in which to be a journalist, with the number murdered since the June 2009 coup d'état in the country at least 60. A 2014 report by the Committee to Protect Journalists (CPJ), an NGO based in New York, noted that Honduran journalists face "a threat more insidious than even the state repressors of earlier eras", in reference to *maras* street gangs, organised crime and regional drug traffickers.

While press freedom and freedom of expression was generally greater than under military rule, local journalists commented, self-censorship was the norm when it came to organised crime and drug trafficking. One prominent local media owner told the CPJ, "one has to know the limits...and try not to pass those limits because you know it could cost you dearly. Things have changed...[under military rule] you knew who you were facing. Now, with organised crime, you don't know who you are up against." There was also a suggestion that corruption, widespread and entrenched in Honduras, is also a problem in the press, not least due to low pay.

Under international pressure, the Honduran congress approved a law for the protection of human-rights defenders, journalists, social communicators and justice officials in May 2015. According to a local advocacy group, Comité por la Libre Expresión (C-Libre), the new law has not had the desired effect, with 12 journalists murdered in 2015 and four in the first four months of 2016 (bringing the tally to 22 since 2014). C-Libre complains that measures contemplated under the law, including the provision of police protection when a journalist receives a threat, and the opening of a special centre to monitor such threats, have not been implemented.

**Honduran debt increases**

Honduran public debt reached US\$7.37bn in the first half of 2016, up 3.5% on the same period last year, according to a report by the central bank (BCH). External debt accounts for US\$5.97bn of the total, up 6% year-on-year, with debt to multilateral organisations making up US\$3.83bn of this. Domestic debt totalled US\$1.39bn in the first half, down 6% year-on-year.

## Protecting journalists

The Special Rapporteur on Extrajudicial, Summary or Arbitrary Execution at the United Nations Office of the High Commissioner for Human Rights (OHCHR), Christof Heyns, called for an effort to raise awareness about the available protection mechanisms for journalists in Honduras, especially in rural departments where they are most vulnerable. He also called on the Honduran government “to ensure the full, prompt, effective, impartial and diligent investigation of homicides” perpetrated against journalists and others.

In May this year, the Special Rapporteur on Extrajudicial, Summary or Arbitrary Execution at the United Nations Office of the High Commissioner for Human Rights (OHCHR), Christof Heyns, paid an official visit to Honduras. In preliminary observations, the rapporteur called for completion and implementation of the legal and policy framework for the new law “as a matter of priority”.

### Hernández pushes for trinational anti-*mara* force

Honduran President Juan Orlando Hernández is working to persuade his peers in Guatemala and El Salvador, Jimmy Morales and Salvador Sánchez Cerén respectively, to embrace his plan to create a trinational force to combat the *mara* street gangs that operate in the three nations.

Hernández met Morales last week to discuss the plan, which would seek not just to improve exchange of information but also to “pool resources” and strike upon a faster mechanism to allow joint action to carry out arrests and expedite extradition. Hernández stressed that addressing a “transnational problem” requires “special treatment”.

The Honduran minister of the presidency, Reinaldo Sánchez, handed a copy of the plan to authorities in El Salvador on 9 August ahead of a meeting of security and defence ministers of the three Northern Triangle countries in El Salvador’s capital, San Salvador, on 12 August.

“What we are building with Guatemala is unprecedented in the history of our recent relations,” Hernández said. He added that he was keen to form an inter-agency force to operate on the border with El Salvador to crack down on *maras* trying to travel between the two countries. This force would comprise members of the armed forces, police, immigration and tax authorities from both countries.

Issues of sovereignty have stood in the way of closer collaboration in the past, especially between Honduras and El Salvador between whom territorial disputes, such as over the tiny Isla Conejo located in the Gulf of Fonseca, are prone to flare up.

## PANAMA | DIPLOMACY

### Relations with Colombia under strain

President Juan Carlos Varela has announced that Foreign Minister Isabel de Saint Malo de Alvarado, the vice president, would be calling a meeting with a delegation from Colombia’s foreign ministry. Varela’s announcement comes amid worsening bilateral relations following a 29 July decree issued by the government led by President Juan Manuel Santos extending a tariff levied on textiles, clothes, and shoes from Panama’s Colón Free Trade Zone (FTZ) until 1 November. Colombia’s move – which came despite a 7 June ruling by the World Trade Organization (WTO) in favour of Panama over the issue – takes place as both countries are under pressure to reach agreements in other areas like fiscal transparency and security.

The WTO issued its ruling on 7 June in response to a complaint filed by Panama back in June 2013. The dispute concerns a compound tariff first imposed by Colombia in January 2013 on imports of textiles, apparel, and footwear, consisting of a 10% ad valorem component and a specific component, which varies according to the import value and customs classification of the merchandise. In its ruling, the WTO determined that the tariffs imposed by Colombia – which the Santos administration argued was necessary to tackle money laundering – were higher than permitted by WTO rules and were not necessary to combat money laundering.

President Santos’s decree has been roundly rejected by Panamanian business lobbies like the association of FTZ users (AUZLC) given the crisis in the Colón FTZ – one of the world’s largest duty-free trade areas, which AUZLC president Usha Mayani points out accounts for 7% of Panama’s GDP.

## 'Remove gun to the head'

The president of Panama's chamber of commerce, industry and agriculture (CCIAP), Jorge García, has called for urgent talks between Panama and Colombia.

"There are a lot of things to discuss: the costs for Panama of drug trafficking, money laundering and immigrants crossing over from Colombia," García said. "We must sit down and talk, but you cannot sit down and talk with a gun to your head; the tariff barriers need to be removed and then we can sit down and talk".

On 15 July the national statistics institute (Inec) released a report which found that in the first five months of 2016, trade in the Colón FTZ reached US\$7.5bn, 15.8% less than in the comparable period in 2015.

This has forced a response by the Varela government which, on 2 August, announced that it was drawing up retaliatory measures in response to 'discriminatory actions' against Panama by "other states". According to the local media, these measures could include new taxes or tariffs and/or the restriction of freedom of movement of individuals or transport.

### Security

As well as efforts to strengthen fiscal transparency following the announcement back in April of plans to sign a new financial information-sharing deal [WR-16-18], the governments of Panama and Colombia are also seeking to boost security cooperation.

The need for this was underlined last month by Panama's police (PN) chief, Omar Ariel Pinzón Marín. Speaking on the sidelines of the 23<sup>rd</sup> Interpol Americas Regional Conference, which took place in Panama City, Pinzón told reporters on 6 July of concerns that an eventual peace agreement between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (Farc), currently being negotiated in Cuba, could result in an increase in drug trafficking as guerrilla groups opposed to an accord could increase their illegal activities.

The international media cited Pinzón as saying that "The guerrilla groups have dedicated a lot of time to drug trafficking. We know that not all of these groups are going to commit to an honest life and some will continue trafficking drugs and they will try to control certain areas." This includes Panama's Darién jungle area, which forms the border between Panama and Colombia.

Indicative of these security concerns in Panama, on 9 May the Varela administration launched 'Operación Escudo' (Operation Shield) in border areas. Comprising a specialised joint task force made up of over 200 officials from the PN; border service (Senafrent); national air service (Senan), and institutional protection service (SIP), the operation ran until 17 June.

President Varela has since announced other measures aimed at tackling drug trafficking. On 25 July he revealed the creation of a new special anti-narcotics force (Fuerza Especial Antinarcóticos, FEAN) following intelligence reports which reveal an increase in the production of drugs in neighbouring countries. On 8 July the United Nations Office on Drugs and Crime (UNODC) released a report on Colombia which confirmed that there was a significant increase in coca plantation areas (and potential cocaine production in Colombia in 2015) – by 39% to 96,000 hectares (ha) from 2014 to 2015.

### TRACKING TRENDS

**HONDURAS | Growth down on last year's bounce.** The Honduran economy registered real annual GDP growth of 3.6% in the first five months of the year, according to the central bank (BCH).

The result was driven by increased output in the electricity & water sector, which rose by 9.6% year-on-year as new supply projects, including solar plants, come on stream. Financial intermediation rose by 7.6%, followed by agriculture, livestock, forestry & fishing (4.8%), transport & storage, postage & telecoms (3.2% each) and retailing (2.5%). Mining sector output fell by 5.1%, reflecting soft prices and weaker demand.

The BCH expects overall GDP growth of 3.3% this year, down slightly from 3.6% in 2015. With the government led by President Juan Orlando Hernández wedded to fiscal reform, as per a financing agreement with the International Monetary Fund (IMF), this pace of growth, while steady, is insufficient to meet the country's challenging social development needs.

## POSTSCRIPT

### Quotes of the week

“Everyone must be fully responsible when voting because this is the most important vote of our lives.”

*Colombia's President Juan Manuel Santos on a referendum on an eventual peace accord with the Farc.*

“I wonder if a little bit of corruption or a little bit of crime would bother him... Lately President Kuczynski is making declarations that have to be translated or explained by others or himself.”

*Deputy Cecilia Chacón, of Peru's main opposition Fuerza Popular (FP), responds to President Pedro Pablo Kuczynski's comment that he was not concerned by “a little bit of contraband”.*

“We are more than just Messi and the Pope. The ordinary citizen is the most valuable type of Argentine we have. I want every Argentine to live a fulfilling life.”

*Argentina's President Mauricio Macri.*

### “No mistakes” in Venezuelan oil policy

The president of Venezuela's state-run oil firm Pdvsa, Eulogio del Pino, has been slapped down by the vice president of the ruling Partido Socialista Unido de Venezuela (PSUV), Diosdado Cabello, and the former Pdvsa president, Rafael Ramírez, for remarking that “we must move toward a new model with a private sector majority, and this means admitting mistakes”.

“They will not privatise Pdvsa, because the Revolution will rule until oil runs out,” Cabello retorted, while Ramírez tweeted, “Chávez's oil policy is correct. Nationalisation returned oil to the people. It is his legacy”. Del Pino promptly backtracked, saying “the squalid media” had twisted his comments. Del Pino's position may be secure for now, as external creditors negotiating a bond swap and debt re-financing with Pdvsa will reportedly only deal with the Stanford-educated engineer, long respected within the industry.

On 8 August, Del Pino, who doubles as energy minister, announced approval of US\$5bn in financing for Pdvsa from the Development Bank of China, which he said was earmarked for joint ventures. Del Pino added that Pdvsa is now dispatching 600,000 bpd of crude to China, and will increase this to 1m bpd in the coming years. With Pdvsa diverting more exports to its strategic partner, unless it boosts output it may have to cut supplies to its key market price-paying customer, the US.

Venezuelan oil has slipped back to less than US\$34 per barrel (/b), with global oil prices sagging again. To 5 August, crude has averaged just US\$32/b. Efforts to boost output to try to compensate for collapsing revenues are not bearing fruit, with production stagnant at about 2.8m barrels per day (bpd), on official energy ministry data. Recently, the likes of the Organization of the Petroleum Exporting Countries (Opec), of which Venezuela is a member, have calculated lower Venezuelan output. In part, this appears to be linked to the downing-of-tools by major oil services companies operating in the country, including Schlumberger and Halliburton, over ongoing payment difficulties with Pdvsa.

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