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Peru's Kuczynski prioritises economy and security

Peru's President Pedro Pablo Kuczynski is in China for his first official foreign visit this week as he seeks to attract investment to drive national development and economic growth. Kuczynski's five-day visit comes directly after his government appealed to congress for powers to legislate for 120 days in an effort to reactivate the economy, as well as to improve public security. The government signalled its intentions in the security sphere this week by re-appointing Carmen Masías Claux as Peru's drug czar. The decision suggests that renewed emphasis will be placed on coca eradication, and that this might be extended to the Apurímac, Ene and Mantaro river valleys (Vraem), Peru's largest coca-growing area by a distance, where the remnants of the Sendero Luminoso (SL) guerrilla group are based.

President Kuczynski was welcomed by Chinese President Xi Jinping in the Great Hall of the People in Beijing on 13 September after which the two men held a working meeting. Xi said they discussed not just deepening bilateral cooperation in traditional sectors, such as energy, mining and infrastructure, but also new fields like the technological modernisation of agriculture and development of alternative energy.

Kuczynski explained that he had chosen China for his first foreign visit because it was Peru's main trade partner and had pursued its own independent development. He wants to attract Chinese investment in basic infrastructure, such as bringing safe drinking water and improved sanitation services to the whole country, as well as port and railway construction. He specifically sought financing for a US\$1.5bn railway project running 450km from the coastal port of Barranca in Lima region to Ica, capital of the eponymous southern region, although he was very cautious on the Chinese proposal to build an inter-oceanic railway from Brazil's Atlantic coast to Peru's Pacific coast, saying it would have “very high costs and could have environmental impact”.

Kuczynski was accompanied by the transport and communications minister, Martín Vizcarra; the foreign minister, Ricardo Luna; the energy and mines minister, Gonzalo Tamayo; and the foreign trade and tourism minister, Eduardo Ferreyros. More than 33% of Peru's mining exports currently go to China but Tamayo has held discussions with Chinese investors over constructing refineries to process concentrates in order to add value to mineral exports, although this carries a socio-environmental risk in a country prone to protests. Ferreyros is intent on increasing Chinese tourism: only 19,000 Chinese tourists visited Peru in 2015 out of some 120m Chinese tourists globally last year. The Kuczynski administration hopes that relaxing visa requirements, and working to design longer packages with fellow Pacific Alliance members Chile and Colombia, could help to boost this number to 6m.

Environment

Peru's environment ministry laid out its 100-day plan of action on 14 September. It will promote the sustainable use of resources in the public and private sectors and the construction of landfill sites in the Amazon, as well as the consumption of fruit and grains. Flanked by Prime Minister Fernando Zavala, the environment minister, Elsa Galarza, presented the plan at Lima's Parque de la Exposición. Galarza said she would support the formalisation of small and medium sized enterprises (SMEs) dedicated to waste treatment and recycling, and begin the construction of landfill sites in Bagua (Amazonas region) Oxapampa and Pozuzo (Pasco). She also said her ministry would promote the use of fruit from the Ungurahui palm tree, as well as quinoa and kiwicha (a pseudo cereal also known as 'mini quinoa') in free school breakfasts to attract private investment to the commercialisation of these products to reduce poverty and malnutrition.

The record-length China visit formed a big part of the government's plan to reactivate the economy, one of the main reasons why the prime minister, Fernando Zavala, requested legislative powers from congress for 120 days on 8 September. The government wants to use these powers to create a simpler tax system, especially for micro and small enterprises, and to expand the formal economy (around 66% of the workforce is concentrated in the informal sector). In addition the government wants legislative powers to restructure the state oil company Petro-Perú, to make it more efficient and transparent; to improve the provision of drinking water and sanitation (see page 6); to fight corruption, through the creation of a national transparency body and an autonomous attorney general's office; and to improve public security and justice.

Zavala urged congress to fast-track the request for legislative powers but it is entirely beholden to the main opposition Fuerza Popular (FP), which dominates congress. The FP has ensured that the request goes through legislative commissions first, which will delay the process. It is also likely to have reservations about allowing the government to legislate on security matters, in particular, without some input. On the issue of public security, Zavala said the government wanted to modify the penal code to fight organised crime and femicide; to introduce cumulative sentencing; and to set up joint patrols between Peru's national police (PNP) and the serenazgo, the municipal security service in seven cities in Peru.

Old drug czar back at the helm

During his appearance before congress to win a vote of confidence on 17 August, Zavala promised an enhanced strategy against SL guerrillas in the Vraem, which he said "cannot continue to be one of the main producers of cocaine in the world", without elaborating on precisely how the government intended to alter this. It offered an indication with the re-appointment of Masías Claux as head of the national anti-drug body Devida. Masías, a psychologist with extensive experience in the field of drugs policy, previously served as head of Devida between 2012 and 2014 under former president Ollanta Humala (2011-2016).

Masías was a firm adherent of coca eradication as a key part in overall anti-drug strategy. Humala replaced her with Alberto Otárola, prompting criticism that he had given precedence to political appointments over professional ones. The Humala administration announced at the time that it was moving the emphasis of drug policy away from "compulsory eradication", where Masías had met with considerable success, and towards "productive reconversion", which included the provision of education, advice and subsidies for coca growers planting alternative crops. Counter-insurgency advisers within the Humala administration had expressed concern that forceful eradication would alienate the local population in the Vraem, solidifying rather than weakening ties to SL.

The agriculture ministry was empowered under Humala to meet coca growers in the Vraem, signing accords to replant 5,000 hectares of coca with alternative crops like coffee, cacao or stevia, a sweetener and sugar substitute. The reappointment of Masías suggests that Devida will once again assume control of drug policy, and related matters, in the Vraem.

The Kuczynski administration declared a state of exception for 30 days on 11 September in three districts in the south-eastern regions of Huancavelica, Ayacucho and Cuzco, with the aim of combating the remnants of SL and drug trafficking organisations: Santiago de Tucuma in Huancavelica; Oronccoy in Ayacucho; and Megantoni in Cusco, all located in the Vraem. In addition the decree published in the official gazette extended the state of emergency for a further 30 days in 42 districts in the same regions (as well as Junín), meaning that 45 districts located in the Vraem are now under a state of emergency.

**Torrealba's
alternative
explanation also
plausible**

The MUD's secretary general, Jesús 'Chuo' Torrealba, argued that the events of 1-2 September, which included the huge opposition march on Caracas and an unprecedented spontaneous public protest against President Maduro on Margarita Island, had prompted sectors of the government to call José Luis Rodríguez Zapatero back and to reach out for dialogue. Torrealba suggested that the Maduro government was in a "terminal phase", with various factions fighting to survive, including left-wing 'nostalgists' ideologically committed to the Socialist ideals of the Bolivarian Revolution and corrupt elements seeking only to save their own necks. The MUD, he insisted, was willing to talk because the government "is falling apart in chunks" and "a peaceful transition needs to be articulated".

Deciphering the smoke signals

Just two weeks after the main opposition coalition, Mesa de la Unidad Democrática (MUD), led an estimated 1m-strong march on Caracas to demand a presidential recall referendum this year, the radical left-wing administration led by President Nicolás Maduro has tried to turn the tables again. In deliberately leaking details of fresh behind-the-scenes talks between the two sides, the government aimed to sow confusion and consternation, putting the MUD on the back foot and deflecting attention away from itself. Meanwhile, the national electoral council (CNE) continues to dither with purpose, missing yet another of its self-imposed deadlines to announce details of the next stage of the referendum.

In a rushed statement, the MUD publicly confirmed on 13 September that it had held talks with representatives of the Maduro government over the weekend of 9-11 September. The MUD was forced to confirm the talks after Jorge Rodríguez, the hard-line mayor of the Caracas municipality of Libertador and a leading figure in the ruling Partido Socialista Unido de Venezuela (PSUV), said that the MUD president of the national assembly, Henry Ramos Allup, had met "more than 10 times" with the international mediators seeking to promote dialogue in the country.

The MUD, led by its secretary general Jesús 'Chuo' Torrealba, has been saying for months now that it would no longer negotiate with the Maduro government and that it had no faith in the mediators designated by the Union of South American Nations (Unasur). The moderate opposition leader and twice former presidential candidate Henrique Capriles Radonski, who has led the recall referendum drive, has particularly objected to the lead mediator, Spain's leftist former prime minister José Luis Rodríguez Zapatero (2004-2011). Capriles suspects Rodríguez Zapatero of political bias and has accused him of being no more than a messenger boy delivering Maduro's conditions for dialogue – namely that the MUD drop the referendum campaign.

Allup just last week denied having been asked to "any meetings with anyone" of late, after it emerged that the three international mediators had been stealing in and out of Caracas for "private meetings" and without much detail as to their agenda. The national assembly leader and veteran of the traditional Acción Democrática (AD) party may well have been speaking the truth – the latest meetings, which did not directly involve the mediators, took place after those comments – but Rodríguez was more than happy to blur the details, embarrassing Allup and causing ripples inside the MUD in alleging Allup's multiple meetings with Rodríguez Zapatero and another mediator, the former president of Panama Martín Torrijos (2004-2009).

In an official statement, the MUD said that two rounds of talks had taken place at the weekend, noting that the talks were direct and without the presence of a third party. A planned third meeting had not occurred, after the government team failed to show, it noted.

The MUD team appears to have included Allup and the national assembly's first vice president, Enrique Márquez, plus two others (as yet unidentified). The government team comprised Jorge Rodríguez, his similarly-combative sister and foreign minister Delcy Rodríguez, the veteran Venezuelan diplomat Roy Chaderton (known for his provocative stance as Venezuela's

Citibank

The Pdvsa president, Eulogio Del Pino, said that Citibank had agreed to act as the agent on the new bond. The US-headquartered Citibank earlier this year served notice on the Venezuelan government that it would no longer offer its services as the country's main external payment agent, but after some urgent negotiations it agreed to continue on an ad-hoc basis until another financial institution could be found to take over the role. To date, Venezuela has not announced a replacement agent.

ambassador to the Organization of American States), and PSUV Deputy Elías Jaua, who has held several cabinet roles, including foreign minister, as well as serving as vice president. Aristóbulo Istúriz, the incumbent vice president and a veteran politician with cross-party links, has also been linked by Torrealba to these latest talks (see page 3 sidebar).

The MUD statement stressed that the new talks had centred specifically on progressing the presidential recall referendum this year (when a successful referendum would trigger snap presidential elections), and it chided Jorge Rodríguez for trying to confuse matters and sow suspicion among the MUD's supporters.

Jorge Rodríguez took a slightly different tack, describing the two rounds as "preparatory", with a view to installing a formal dialogue table in the coming weeks. His tacit insinuation was that some factions of the MUD, potentially led by the AD, might agree to drop the referendum campaign in exchange for dialogue. As such, Rodríguez appears to have very deliberately put the cat among the pigeons. Maduro himself later declared that Pope Francis, who has previously part-sponsored (failed) talks in the country, backed the dialogue, thereby also publicly pressuring the MUD.

Each time the MUD has agreed to come to the table, often under heavy international pressure, the Maduro government has merely paid lip service to talks, using the pretence of dialogue to buy itself time. The fact that the Maduro government is still able to use this card belies the MUD's permanent structural difficulty in holding together. Capriles insisted that he supported any talks that would progress the cause. But it was clear that he was not entirely happy at the situation, tweeting that he did not agree with some recent MUD decisions.

Pdvsa "kicking forward" debt payments

The cash-strapped state oil giant Petróleos de Venezuela (Pdvsa) has proposed a bond swap for US\$7bn worth of debt maturing in late 2016 and 2017. The Pdvsa president, Eulogio Del Pino, was quite frank, telling Venezuelan state media, "We have a peak of debt payments and we are kicking them forward. We are seeking financial relief from payment of these bonds".

The proposed swap deal would offer a brand new bond maturing in 2020, in exchange for bonds falling due in 2016-2017. Pdvsa has a US\$1bn 2016 bond falling due next month. In April next year, a US\$3bn 2017 bond reaches maturity, while the company also has two other amortisation payments for US\$2bn each owing on a separate '2017N' bond – these are due at the end of this and next year.

Notably, the new 2020 bond would be backed by shares in Pdvsa's US-based refining unit, Citgo, which is worth an estimated US\$11bn. Del Pino said that ratings agencies had "positively" evaluated the new bond, although none of the big three agencies (Fitch, Moody's and Standard & Poor's) have independently confirmed that.

Pdvsa bonds rose on the news of the swap proposal, as investors calculated that it would not be forced into default. The new bond would include amortisations in the four years from 2017 to 2020, guaranteeing investors a return.

However, some financial market analysts expressed concern to Reuters that Venezuela's opposition MUD, which controls the national assembly, might raise an objection to the presence of Citgo in the deal, on the grounds that Citgo's inclusion as a guarantor, effectively, could amount to its "de facto privatisation". In theory, privatisation of a state asset requires national assembly approval. Such details are unlikely to trouble the government at least – President Maduro's extensive economic emergency decree powers give him latitude to operate without congressional authorisation. External investors, however, could demand solid legal guarantees before agreeing to any swap.

Opposition alleges a conspiracy

The main opposition legislative bloc, **Creando Oportunidades (Creo)**, has denounced efforts by the left-wing government led by President **Rafael Correa** to prevent its leader, **Guillermo Lasso**, from registering his candidacy for the presidential contest in February next year. Lasso, a former banker, was the distant runner up to Correa in the 2013 race, taking 23% of the vote to Correa's 57%.

The head of the Creo bench, **Patricio Donoso**, gave a press conference in which he complained that Lasso had been summoned to appear in court on 15 September to respond to a legal action against him by the higher education minister, **René Ramírez**. On 14 July, Ramírez filed a formal complaint against Lasso for impugning the honour of his wife, **Analía Minteguiaga**, in alleging (Ramírez says falsely) that she was in receipt of two salaries for her work at the **Instituto de Altos Estudios Nacionales (IAEN)**.

The case against Lasso takes place just days ahead of his registration as a presidential candidate, Donoso noted, suggesting that this was a deliberate move to try to prevent his candidacy. Claiming that Lasso and CREO were the best placed to defeat the ruling left-wing **Alianza País (AP)** in February, he also alleged similar recent legal actions against other party members including the deputy mayor of Quito, **Eduardo del Pozo**, and the party president, **César Monge**. "They want to silence the voice of the opposition and intimidate Guillermo Lasso," Donoso complained, decrying the actions as "absolutely intolerable" and "condemnable". He also suggested that the government was trying to create a "smokescreen" to cover up its "catastrophic economic management" and the fact that Ecuadorean families are suffering "unemployment, hunger and desperation".

President Correa was having none of it, telling journalists in the port city of **Guayaquil** that instead of admitting that his accusation was baseless and erroneous, Lasso instead was trying to portray himself as a victim of political persecution. He called on Lasso to "show some decency" in his political comportment and recognise his mistake.

Correa continued that the opposition was running scared, claiming that polls put support for AP at almost two-thirds of the electorate (63%). Declaring that the eventual AP candidate (yet to be selected) would win the presidential race in the first round, against a plethora of opponents, Correa warned that the opposition was coming for the national assembly, which the AP currently dominates, with 100 of 137 seats. The opposition strategy, Correa said, was to try to win the assembly and thereafter stage a congressional coup similar to the one that he alleged has recently taken place in Brazil (where the federal senate impeached and removed **Dilma Rousseff** from the presidency on 31 August). Coup d'états nowadays don't happen by military mutiny but by congressional manoeuvres, Correa maintained.

For its part, the AP will hold its national convention in early October, at which it will select a presidential candidate. The current and former vice presidents **Jorge Glas** and **Lenín Moreno** (2007-2013) appear the most favoured names. While Correa, now in office almost a decade, maintains that he will be taking a break from politics next year, he has made clear that he will be instrumental in AP's choice of candidate to succeed him and will campaign vigorously for the party's re-election to government. That may not be the decisive factor, as in the past, for AP's legislative candidates on the ground. Despite Correa's claims of broad continuing support for his **Citizens' Revolution**, other published polls indicate growing rejection of him, as well as a strong desire for a change of government.

Tax reform

The national assembly has approved new tax incentives for the private sector, the fourth tax reform package this year. This latest package, designed to deter contraband along border zones and encourage investment, will cost the treasury an estimated US\$63m over the next year.

Invest in Bogotá produces results

On 7 September Juan Gabriel Pérez, the director of Invest in Bogotá, a promotion investment agency set up in 2006 by the Bogotá chamber of commerce and the local municipal government to promote investment in Colombia's capital, revealed that it had been instrumental in securing US\$1.7bn in foreign investment in Bogotá since its creation. Speaking at the inaugural Bogotá foreign investment forum organised to mark Invest in Bogotá's 10th anniversary, Pérez said that since its creation the agency has been involved in over 220 foreign investment projects in the city, creating over 21,000 direct jobs. Pérez added that this places Bogotá "among the top three preferred destinations for foreign investment in Latin America".

BOLIVIA | BCB to finance hydroelectric plant project. Bolivia's hydrocarbons & energy ministry, the national electricity company (Ende), and the country's central bank (BCB), signed a US\$550m loan agreement for the building of a new 300MW hydroelectric project at an event in Cochabamba department on 12 September. President Evo Morales, who attended the event, said that the 'Ivirizu' project would be funded with a credit line offered by the BCB. Morales added that the project, located in the municipality of Titora, would complement the 480MW thermoelectric plant already operating in Cochabamba, taking total electricity generation in the department to 700MW.

The Morales administration plans to increase Bolivia's electricity generation capacity to 10,963MW by 2025 as it bids to turn the country into a regional 'energy hub' that can export energy to its neighbours. Currently, Bolivia's total electricity generation capacity stands at 1,500MW (with domestic demand of around 1,300MW). But the government has identified 21 electricity generation projects that it intends to develop. The government expects that, with the development of these projects, Bolivia will have a 2,500MW surplus by 2020.

COLOMBIA | Boosting investment in innovation. On 12 September businessmen, government entities, university representatives, and different organisations from the capital Bogotá and the surrounding department of Cundinamarca signed an agreement aimed at increasing private and public investment in science, technology and innovation.

The agreement, dubbed 'Innpacto por la Innovación', was envisioned by Colombia's science, technology & innovation administrative department (Colciencias). It seeks to make of Bogotá and Cundinamarca one of the most innovative regions in Latin America, increasing investment in science, technology and innovation activities in the area by 1.8% of regional GDP by 2019. According to Cundinamarca Governor Jorge Rey, some US\$29.6m have gone towards science, technology & innovation activities in the department in the last eight months alone.

The Bogotá-Cundinamarca agreement is but one of a series of such agreements by Colciencias in other cities such as Barranquilla, Bucaramanga, Cali and Cúcuta, aimed at increasing the country's national investment in these activities from 0.46% to 1% of GDP. Colciencias Director Yaneth Giha said that the agency's objective is to reach out to 7,000 companies through this strategy.

PERU | Water and sanitation budget resources. Peru's Prime Minister Fernando Zavala announced on 8 September that the government's draft 2017 budget includes a 72% increase in the allocation of resources for the extension of drinking water and sanitation services around the country. Zavala said that this increase is the biggest for the sector in the past 10 years and shows the commitment of the government led by President Pedro Pablo Kuczynski to achieving its objective of providing drinking water and sanitation to all Peruvians by the end of its current term in 2021.

Zavala's announcement came during his presentation to the national congress of the PEN142.47bn (US\$43.17bn) 2017 draft budget, in which he was accompanied by the economy & finance minister, Alfredo Thorne. "This budget emphasises the social," Zavala told legislators, before adding that its four main priorities were to "improve access to basic public services such as water; strengthen public security and the fight against corruption; improve access to quality education and health services; and increase investment in infrastructure".

Noting that the draft budget is 4.7% higher overall in nominal terms than this year's budget, Zavala said that it was part of the new government's economic policy strategy to promote a "social revolution", while at the same time maintaining fiscal stability.

Zavala explained that the Kuczynski administration wants to maintain the prudent fiscal policies pursued by Peru for the past 25 years, based on the responsible management of its debt, which have helped it to develop fiscal credibility in international markets. In this sense, Zavala explained that although the 2017 budget is higher than this year's, the government still expects to reduce the fiscal deficit gradually over the next five years as previously announced by Thorne [WR-16-34]. Zavala said that this would be achieved via the more effective allocation of resources, pointing out that areas with "greater social impact" would be prioritised, and that was why 87% of the increase in the 2017 draft budget had been allocated to water and sanitation provision; education; healthcare; public security; and transport & communications.

Democracy slips a little in the ratings

Democracy remains the dominant political system in Latin America, a sea change from the 1970s when military rule was widespread. But support for democracy has dropped over the last year according to *Latinobarómetro*, an annual opinion poll survey conducted across 18 countries. The biggest fall was registered in Brazil.

The *Latinobarómetro* survey has been carried out over the last 21 years. The latest results show that support for democracy across the region has fallen to 54%, down two percentage points from 56% last year. Those disappointed with democracy did not, however, seem to be swinging round in support of dictatorship: the proportion favouring authoritarian regimes also fell, to 15% down from 16% last year.

Popular attitudes towards democratic rule varied sharply from country to country. Not surprisingly perhaps, support for democracy was highest in Venezuela, a polarised country where the opposition believes the will of the people is largely denied. There, 71% said they believed democracy is the best form of government (however, this was still down seven points on 2015). The pro-democracy score was also high in Argentina (71%) and Uruguay (68%). Other countries where citizens value democracy strongly include Ecuador, Bolivia, the Dominican Republic, and Costa Rica.

It is clear, however, that recent economic difficulties and worries over corruption and violence have eroded support for democracy. The upheavals in Guatemala and Brazil seem to be a case in point. Only 31% of Guatemalans now believe democracy is the best form of government – the percentage has in fact been low for a number of years. In Brazil, on the other hand, faith in democracy has plunged dramatically, down by no less than 22 percentage points in the last year to 31% now – a reflection of popular dissatisfaction with corruption and what the impeachment process has implied about the state of national institutions. Other countries where support for democracy has dropped compared to last year include Chile, Uruguay, Nicaragua and El Salvador.

It might be concluded that economic hard times reduce support for democracy in a fairly linear way, but Marta Lagos of *Latinobarómetro* says there is not a simple correlation. Since the survey started, the lowest points for the region as a whole came in 2001 (during the Asian economic crisis, when support for democracy dropped to 48%), in 2007 and again in 2016 (54% in both years). She notes that during the sub-prime economic crisis (2008 and 2009) support for democracy in Latin America actually increased, reaching a high of 61% in 2010. She suggests support may correlate with the success or failure of income redistribution policies – an explanation for the strong showing of countries like Ecuador and Bolivia.

One additional explanation of weakening support for democracy since 2010 may be the growing perception that government is no longer for the many, but for the few. In 2011, 36% of respondents felt that governments were defending the interests of the majority of the population, a ratio that fell to 22% this year, the lowest point in the last 12 years. The other side of that measurement is that three-quarters of respondents (73%) believe governments are now protecting the interests of the elites. In Paraguay, Brazil, Chile, Costa Rica, Peru, Colombia and Panama over 80% of the population believe government is for the few, not for the many.

Crime and violence

In terms of the major problems facing the region, respondents highlighted two, crime and violence, on the one hand, and the economy on the other. Crime is identified as the single top problem by 22% of the respondents. A total of 25% identified economic issues – which in turn broke down into unemployment (16%), the shortage of basic goods (3%), inflation (3%), and poverty (3%). An interesting finding was that respondents said that domestic violence was an even more serious problem than crime on the street.

Lula – “the maestro of an orchestra of criminals”**Moro and Lula**

Federal Judge Sérgio Moro and former president Lula have had a run-in before. In March, when Dilma Rousseff appointed Lula her chief-of-staff in a bid to give him immunity, Moro – to some controversy – released phone taps in which he and Rousseff discussed his appointment, prompting angry protests in Brasília calling for Rousseff to resign. Lula has accused Moro of a witch-hunt against him and in July filed a petition before the United Nations in Geneva alleging abuse of power by Moro and the contravention of his right to a fair trial.

In a dramatic press conference this week federal prosecutor Deltan Dallagnol accused Brazil’s former president Lula da Silva (2003-2011) of being “commander-in-chief” of a giant network of corruption feeding off the state-controlled oil company, Petrobras.

This is the first time that federal prosecutors have filed charges against Lula. Dallagnol will now request Lula’s indictment on charges that he oversaw a vast web of corruption at Petrobras, which the prosecutor claimed siphoned off some US\$12.6bn from the firm over a decade as company executives overcharged Petrobras for construction contracts and funnelled the windfall cash widely, including to politicians and political parties across the board that the left-wing Partido dos Trabalhadores (PT) government relied upon for support, from the federal all the way down to municipal level. “We know, beyond any reasonable doubt, that Lula was the central figure of the scheme at Petrobras. He was ‘the general,’” Dallagnol stated. “Lula was the maestro of an orchestra of criminals.”

If Judge Sérgio Moro, the lead magistrate in ‘Operation Car Wash’, the massive 18-month old federal investigation into the Petrobras corruption scheme, accepts the charges presented by Dallagnol, Lula could become a defendant in a federal court; indeed, Moro could ask that he be detained, pending a trial. No longer a serving politician, Lula has no immunity from the ordinary criminal justice system. If charged, he would be unable to seek the presidency in the general elections in October 2018. The former president and his lawyers have said the whole thing is “a farce” and amounts to political persecution.

Specifically, Dallagnol presented charges of active and passive corruption against Lula, his wife Marisa Leticia, and another seven people including the head of the Lula Institute, Paulo Okamoto, and two senior executives from the construction company OAS, which benefitted from lucrative contracts from Petrobras. OAS executives, including the company CEO, Leo Pinheiro, have already been charged as part of ‘Operation Car Wash’ (Pinheiro has also been implicated in a separately-brewing scandal centred on the illicit use of state company pension funds [WR-16-35]).

Dallagnol said he had evidence that Lula had received the equivalent of R\$3.7m (US\$1.1m) in bribes from OAS, including the ‘gifting’, remodelling and refurbishing of a luxury three-story penthouse in the coastal resort of Guarujá, near the city of São Paulo, that has been at the centre of the case being built against him. Brazil’s federal police had already asked for Lula’s indictment in this case three weeks ago. In March, Lula was similarly charged for money laundering and hiding assets in relation to the apartment, of which he denies ownership.

In return for giving Lula the apartment, Dallagnol claimed, OAS received contracts worth R\$87m (US\$26.4m) for works at two Petrobras refineries. OAS is also accused of paying for warehouse storage of Lula’s belongings for five years after his second term ended on 31 December 2010.

Dallagnol denied that the accusations amounted to the persecution of Lula or the PT, of which Lula is honorary president. “Lula is not being judged for who he is or how he was as a person, nor is his government being judged. He is only being indicted for specific crimes that can be proven with the evidence gathered,” Dallagnol stated. “Neither is the PT’s ideology being judged,” the prosecutor continued, “but whether the party was involved in specific crimes”.

Female head of supreme court

The federal supreme court (STF) has a new chief justice, Carmen Lucía, only the second woman to hold the post in the court's history. She will serve for two years until September 2018.

Dallagnol asserted that the OAS gifts to Lula were just the tip of the iceberg. In effect, he strongly suggested that the Petrobras scheme was the extension, on an altogether bigger scale, of the mensalão scandal, which almost brought Lula down in his first term (2003-2007). Lula's former chief of staff, José Dirceu, took the fall for that scandal, which involved the payment by the PT of monthly bribes to congressional deputies in return for their support. That money too was siphoned-off from state companies. "The fact that a similar *modus operandi* continued in the federal government even after Dirceu's departure shows that he wasn't the real leader," Dallagnol noted.

Dallagnol claimed that Lula was "commander-in-chief" of this giant network, which has implicated political parties and politicians across the board in Brazil, including members of the now ruling Partido do Movimento Democrático Brasileiro (PMDB), which was the PT's principal coalition partner from 2003. "Only a man with both control of the PT and the government could coordinate such a scheme...the former president is the link between the most prominent figures implicated in the Operation," he reasoned. But whether the prosecutor has incontestable evidence to assign to Lula criminal guilt for the entire Petrobras scheme will only become clear as the case unfolds.

"It is a narrative that is completely incompatible with reality and the facts ... they were not even aware of, let alone part of, any criminal scheme," Cristiano Zanin, one of Lula's lawyers stated after Dallagnol's press conference. "This Lula-centred farce was trumped up as an affront to the democratic state and to the intelligence of Brazilian citizens," he continued. "The prosecutors failed to present one single piece of evidence proving that Lula has committed any crime. The political activism of Car Wash members is not compatible with their activity as federal prosecutors."

Either way, serious damage has been done to Lula's reputation. For many Brazilians it is simply implausible to suggest that Lula, the lynchpin of the PT for decades, could have been unaware of the culture of political kick-backs and, effectively, institutionalised corruption at Petrobras and other public-sector companies.

Aside from these latest charges Lula, along with his recently impeached successor, Dilma Rousseff (2011-2016), has also been indicted for obstruction of justice in the Petrobras scandal (by trying to convince a key defendant not to testify). That case is pending before a court in Brasília and in and of itself could also put paid to both of their careers if they are stripped of their political rights for the statutory eight years. The Lula Institute and an events management company are also alleged to have received over US\$10m from companies under investigation as part of 'Operation Car Wash'. These payments are being examined at the moment. With additional accusations now likely to come out of the woodwork, a presidential bid by Lula in 2018 looks unrealistic.

Cunha may also face Moro

As expected, Eduardo Cunha, the former speaker of the federal lower chamber of congress, was indicted by a large majority early this week. Cunha, who instigated the impeachment proceedings against Dilma Rousseff late last year, deployed the same arguments employed by Rousseff, decrying a politically-motivated trial. Formally, Cunha was impeached for lying to the congressional ethics committee about the existence of secret Swiss bank accounts in his name.

Brazil's federal supreme court (STF) indicted and suspended Cunha from his post in May on charges of the receipt of bribery funds worth an estimated US\$5m. Related charges include embezzlement, fraud, money laundering, and tax evasion. Two of these cases are ongoing in the STF. Equally seriously for Cunha, he could now also face Judge Sérgio Moro on those same charges. Cunha says he has a book coming out in November in which he promises to spill all the beans "on everyone".

Lack of security coordination

The lack of coordination between Argentina's federal and provincial security forces was exposed in January during the manhunt of three dangerous criminals that had escaped from a prison in Buenos Aires province. The fugitives managed to evade capture for 15 days as they moved from Buenos Aires to Santa Fe as the authorities haphazardly chased them. They were eventually arrested by the Santa Fe provincial police after it complained that the federal police (PFA) failed to take its tip offs seriously. The PFA responded by accusing the provincial police of previously feeding it false information. This led to mutual accusations of incompetence and of collusion with the criminals, which ended with Minister Bullrich admitting to "communication problems" between the forces.

Tackling insecurity in Rosario

Following two protest marches in the space of three weeks in demand of improved public security in the city of Rosario, in Argentina's Santa Fe province, the provincial and federal governments have signed a new cooperation agreement. This aims to shore up public security across Santa Fe, setting guidelines under which provincial and federal security forces are to work together to combat insecurity and drug trafficking in the province as part of the government's wider anti-drug trafficking security strategy. Rosario has become a 'hot spot' for drug trafficking activity and the violence that comes with it.

Drug-trafficking activity in Rosario has been on the rise in recent years to the point that some local analysts now consider that the city, one of Argentina's main freight ports, has become a major illegal drug transshipment point that local and international drug trafficking organisations (DTOs) are fighting to control. This fight for territory has led to a significant increase in homicides and violent crime in the city. And this wave of violence has not gone unnoticed by the local population, which has been complaining about insecurity. The failure by the local authorities to tackle this issue eventually led local civil-society groups to mobilise to demand a response.

On 25 August a group of these organisations staged the first 'Rosario Sangra' ('Rosario bleeds') protest march to the city's judicial palace in demand of improved public security and justice for the victims of the violence. Thousands of people took part in the march, called after 24 people were murdered in the city between 17 July and 19 August, taking the total number of people murdered there since the start of the year to 135. The size of the march compelled the municipal and provincial governments, controlled by the leftist Partido Socialista (PS), to take action. The municipal government led by Mayor Mónica Fein declared a six-month state of emergency and ordered the adoption of contingency measures such as the expedited hiring of more municipal police officers to help patrol the streets.

But Fein recognised that this would not be enough to improve the situation and she asked for additional assistance from the provincial government led by Miguel Lifschitz. Governor Lifschitz admitted that the security situation in Rosario, Santa Fe's most populated and Argentina's third largest city, was a matter of concern not just for the province but for the entire country. Official figures clearly reflect the negative impact that the Rosario violence wave is having on national crime figures. A recent report by Argentina's national criminal information system, found that in 2015 the homicide rate in Santa Fe (which is heavily biased towards Rosario, where 948m of Santa Fe's 3.4m inhabitants reside) was 12.2 per 100,000 inhabitants. This was almost double Argentina's national murder rate of 6.6 per 100,000 and helped to push up the national rate.

Sustained pressure forces deal

However, Lifschitz, a former Rosario mayor (2003-2011), said that his government would only be able to provide additional assistance once it reached a deal with the centre-right Cambiemos coalition federal government led by President Mauricio Macri on collaboration between the provincial and federal security forces to combat criminality and drug trafficking under a new national security strategy (*see sidebar*).

Since assuming office in December 2015, Macri has said that "defeating drug trafficking" in Argentina would be one of his administration's top priorities and that this would be achieved through the adoption of new and improved

Lifschitz's explanations

Commenting on the 'Rosario Sangra' marches, Governor Lifschitz said that he "identified" with the demonstrators' demands for improved security but warned that there were 'no quick fixes' to the complex situation that could only be overcome with federal government assistance: "I identify with the demands, I also want better policing and justice...[but] we fight against violence and drug trafficking in a muddy field, in which not everything that we propose doing can be quickly achieved," Lifschitz said, adding that "drug trafficking is an octopus with many tentacles and we need the support of all political sectors to combat it successfully".

anti-drug trafficking measures. But aside from moves to shake up the federal security forces, and increase their presence in border areas to try to stop cross-border trafficking, this has yet to translate into an integral national policy.

Lifschitz's remarks secured him meetings with Macri's cabinet chief, Marcos Peña, and the federal security minister, Patricia Bullrich, on 29 and 30 August to discuss this matter. But Lifschitz said that while the meetings had been positive, the talks were bogged down by questions of jurisdiction. The governor explained that he was opposed to a proposal for the federal government to take over control of the provincial police in exchange for the deployment of additional federal security forces to reinforce security in Rosario. Lifschitz argued that this would be "unconstitutional" as it would violate the sovereignty of the provinces. The response from Rosario's civil-society to the lack of a federal-provincial government agreement was to stage another protest march on 8 September.

The second 'Rosario Sangra' march was bigger than the first and for the first time it was replicated (to a much smaller scale) in Santa Fe's eponymous provincial capital. This pressure forced the provincial and federal authorities into holding another meeting to try to reach a deal. This time the 12 September meeting was chaired by President Macri himself. Afterwards Minister Bullrich and Lifschitz formally signed a new security cooperation agreement. Lifschitz explained that, under the agreement, coordination between the provincial and federal security forces would be improved by means of the creation of a security committee comprised of federal and provincial government officials that would oversee the exchanging of security information.

Asked by reporters if this would result in the deployment of additional security forces to Santa Fe, Lifschitz said that "the change does not have to do with numbers but with the coordination of forces...until now there has not been coordination and many resources were wasted". The effects of this lack of coordination and the problems that it can cause were exposed during the arrest of three dangerous fugitives from Buenos Aires province by the Santa Fe provincial police earlier this year (*see sidebar*).

Pointedly, Bullrich said that the new agreement was part of the federal government's efforts to develop a national state policy for combating drug trafficking. This suggests that the Macri administration will soon seek to replicate the agreement reached with the Santa Fe government in other provinces.

CHILE | ECONOMY

Bachelet faces more mining problems

The centre-left Nueva Mayoría coalition government led by President Michelle Bachelet is having to deal with mining problems on various fronts. This comes as Finance Minister Rodrigo Valdés was recently forced to admit "unease" with the latest growth figures released by the central bank (BCCH), caused in large part by the ongoing slump in international prices of copper – the country's main export – which accounted for 8.1% of its GDP in 2015.

On 9 September workers at the open-pit copper and molybdenum mine Los Bronces, owned by the multinational mining firm Anglo American, went on strike after the company refused to agree to remuneration-related demands. The national daily *La Tercera* reported that the decision to strike at the mine – which produced 401,715 tonnes (t) of fine copper in 2015 (out of Chile's total 5.76m t) – was made after 85.3% of its 1,725 workers rejected an offer from the company of a Cl\$9m (US\$13,223) bond; an additional Cl\$1m (US\$1,469) bond conditional on market conditions (if copper prices remain at

Growth

On 5 September Chile's central bank (BCCH) released its latest monthly economic activity index (Imacec), a GDP proxy measure, which showed an increase of just 0.5% year-on-year in July, well below market expectations (1.2%).

US\$2.5 per pound [lb] for a six month period); and a Cl\$3m soft loan credit line for workers. A report issued on 7 July by Chile's copper commission (Cochilco) cites Mining Minister Aurora Williams and Cochilco's executive vice-president, Sergio Hernández, as saying that they expected copper prices would remain at US\$2.15/lb this year, rising to US\$2.2/lb in 2017.

The unrest at Los Bronces – which at the time of writing was ongoing – came on the heels of a four-day strike (also pay-related) by workers from a division of the El Salvador mine (which, owned by Chile's state-owned copper mining firm Codelco, produced 49,000t of fine copper in 2015). The strike ended on 9 September but not before protesting workers cut off all access to the mine, undermining its operations and causing some US\$3m in losses on media reports.

It also came weeks after Codelco's CEO, Nelson Pizarro, warned that there was "no money" left in the company. With a Codelco report released at the end of May 2016 noting that in the first quarter of 2016 copper prices fell 20% compared with the same period in 2015, indicative of the impact of falling prices, the company posted losses of US\$97m in the first half of the year, despite a rise in production (to 906,000t, up 1.4% on the same period in 2015).

Pizarro's remarks – which he made at a seminar held on 23 August entitled 'The contribution of mining to Chile's development' – also came despite measures announced last year by Codelco such as layoffs saving about US\$48m a year and a further US\$4bn reduction in its long-term investment programme. This in turn had led the Bachelet government to announce a US\$600m cash injection into the company last year.

Yet more problems

Further compounding problems for the mining sector, at the end of last month, the national geological & mining service (Sernageomin) was compelled to halt operations briefly at two mines – Codelco's massive Chuquicamata mine and Freeport-McMoran Inc's El Abra mine – after workers died in separate accidents.

On 30 August two workers were killed at the Chuquicamata mine, which produced 309,000t of fine copper in 2015, after the vehicle that they were driving collided with a giant mining truck. The same day, El Abra (which is 51% owned by Freeport and 49% owned by Codelco, and which produced 147,000t of fine copper in 2015) announced that a worker had died following an accident at its acid unloading terminal.

TRACKING TRENDS

ARGENTINA | **'Mini Davos' forum.** As part of its efforts to restore Argentina's international standing and attract foreign investment following its return to international financial markets on the back of the resolution of the country's long-running debt dispute, the government led by President Mauricio Macri began hosting its 'Argentina Business & Investment Forum' in the city of Buenos Aires on 12 September. The event, which concludes on 15 September, has been billed by the Macri government as a 'mini Davos' for Argentina, modelled on the annual World Economic Forum in the Swiss ski resort attended by global business and political leaders.

Macri said that he hopes the inaugural 'Argentina Business & Investment Forum', to which 1,900 leading businessmen from 67 different countries have been invited, will lead to "significant pledges" of investments in Argentina. In formally opening the forum, Macri said that government officials (including the governors of Argentina's 24 provinces) would present US\$200bn worth of investment opportunities in the country that his government wants to promote in a number of areas, including non-conventional oil and gas production projects, mining, renewable energy, and road and railway infrastructure.

PRI support

In an article penned for the US online news publication *The Huffington Post* on 2 June, President Peña Nieto said he anticipated “resistance” to his proposed laws on same sex marriage but that he believed it was his “duty to ensure that the personal beliefs and customs of some do not limit the human rights of others, [that] every woman or man must have equal rights and that diversity is a very important element of the richness of our society”. But there are factions in the federally ruling Partido Revolucionario Institucional (PRI) that are deeply reluctant to approve the bills, seeing them as one of the defining reasons for the party’s serious reverses in the gubernatorial and state legislative elections on 7 June.

MEXICO & NAFTA

MEXICO | POLITICS

Mass marches pile pressure on Peña Nieto

Not since the Cristero war (1926-1929) over the anti-clerical constitution of 1917 has government legislation on social and religious issues triggered such large marches. Myriad conservative social organisations grouped under the Frente Nacional por la Familia staged marches in 120 cities across Mexico on 10 September attended by tens of thousands of people. The main purpose of the marches was to protest against two legislative bills presented by President Enrique Peña Nieto to the federal congress in May which would reform the constitution to permit same sex marriage, as well as to denounce gender ideology, adoption by gay couples and to demand the protection of the ‘traditional family’.

Conservative sectors of Mexican society, supported by the Catholic Church, are seeking to take advantage of President Peña Nieto’s weakened popularity and the internal political difficulties assailing him. The Frente Nacional por la Familia was established on 18 May, the day after Peña Nieto sent two bills to the federal congress promoting equality, which would require a constitutional reform allowing marriage between couples independent of gender or sexual orientation. Some members of the Frente Nacional por la Familia are linked to the most right-wing factions of the main opposition Partido Acción Nacional (PAN).

Rodrigo Iván Cortés Jiménez, one of the spokespeople for the movement, was a PAN federal deputy and secretary of international relations for the PAN (2009-2014) close to the former party leadership. Cortés, who was received by Pope Francis in the Vatican on 30 August to outline his movement’s purpose, sympathises with ‘El Yunque’ (‘The Anvil’), a politically influential ultra-conservative catholic secret society, allegedly formed in the state of Puebla, a PAN stronghold, in the mid 20th century.

Some 1,000 conservative organisations grouped within the Frente Nacional por la Familia were behind the protest marches in 29 states. While it denied explicit links to the Catholic Church, numerous priests and eight bishops took part in the marches, which have been promoted from the pulpit to protect ‘traditional family values’. “There is no one type of family that the Mexican state is obliged to protect,” the national council for the prevention of discrimination (Conapred) countered in a statement responding to the march. Another umbrella group, Frente Orgullo Nacional, said it would collect signatures to petition Pope Francis to replace Cardinal Norberto Rivera, head of the the archdiocese of Mexico, for contravening article 130 of the constitution which stipulates that Church ministers cannot criticise Mexican laws or engage in political propaganda carrying out their duties.

The spokesperson for Frente Orgullo Nacional, Cristian Galarza, accused Rivera of putting the lesbian, gay, bisexual, transgender and intersex (LGBTI) communities “at risk” by promoting “hatred” and supporting the marches against same sex marriage. The Frente Orgullo Nacional staged a march of its own, on 11 September, to defend the rights of LGBTI communities. Several hundred people demonstrated in the Ciudad de México (CDMX). Galarza is organising another march in the CDMX on 24 September to coincide with a march which the Frente Nacional por la Familia is planning in the capital on the same day. He said the Frente Orgullo Nacional would set out to intersect the other march to exchange ideas, although the security forces will be fearful of an outbreak of violence.

Agriculture

The president of the national agriculture council (CNA), Benjamín Grayeb, warned about serious repercussions if the government approved the proposed M\$22.67bn budgetary cuts for the agriculture sector. Around 100,000 small farmers marched through the streets of the Ciudad de México on 8 August to accuse the government of reneging on a promise to provide financial support for the struggling agriculture sector [WR-16-31]. Grayeb said the CNA was already lobbying congress to increase the budget for the agriculture sector, especially the 23% reduction to the budget for enhancing productivity and competitiveness, and a 35% reduction to market development.

Meade tables austere budget

Mexico's new finance minister, José Antonio Meade, presented one of the most memorable draft budgets of recent years to the federal lower chamber of congress on 8 September. Meade, who had only assumed the position the previous day after the resignation of Luis Videgaray, announced significant spending cuts in the 2017 draft budget to try and stave off credit downgrades by international rating agencies. Although the cuts will primarily affect the state-run oil company *Petróleos Mexicanos* (Pemex), it was noteworthy that priority areas for the government, above all education, also took a substantial hit. Meade was keen to stress, however, that neither infrastructure projects nor social programmes would be impacted.

The promise of 5% growth as a result of fiscal and structural reforms undertaken by the government led by President Enrique Peña Nieto in 2012 and 2013 is now a distant memory. The 2017 draft budget contains spending cuts of M\$239.7bn (US\$12.87bn), a real reduction of 1.7% on this year. Pemex will absorb the bulk of the spending cuts, with a total budget of M\$391.9bn, down by 28% on the 2016 budget. Pemex is predicting production of 1.93bn barrels a day in 2017, the lowest level since 1980. With Pemex's debt mounting, the left-wing opposition is questioning whether the spending cuts are designed to jeopardise its financial viability and force its privatisation. It is far from certain that sufficient private-sector investment will be forthcoming to compensate for the loss of budgetary support.

The next most swingeing cuts are to education, down by M\$37.28bn (US\$1.95bn), which is eye-catching given the better quality of teaching the government led by President Enrique Peña Nieto has promised to deliver through its education reform and the recurrent difficulties it has encountered in the form of protests from the country's second largest teachers' union *Coordinadora Nacional de Trabajadores de la Educación* (CNTE) against this reform. The health budget was cut by about half this amount.

There were also some notable proposed cuts to the communications and transport ministry (SCT) of M\$27.49 (US\$1.44bn); the agriculture ministry (Sagarpa), M\$22.67bn (US\$1.18bn); the environment ministry (Semarmat), M\$19.79bn (US\$1.03bn); the interior ministry (Segob), M\$9.31bn (US\$487m); and the national science & technology council (Conacyt), M\$7.05bn (US\$368m). The Conacyt cut prompted widespread criticism from the private sector which insists that greater investment in technological innovation is essential to drive economic growth.

All in all, the budget leaves public investment, at 2.8% of GDP, at its lowest level for 50 years. Critics suggested further cuts might be necessary to balance the budget down the line because the government had predicated it on a tax take of US\$148bn, up 9.7% on this year's budget which, with no new taxes, looks optimistic. Meade predicted real GDP growth of between 2% and 3% in 2017 but private analysts argued that this was overly ambitious.

Meade insisted that the 2017 draft budget was "a responsible package". He said it contained an important adjustment that required a "complex analytical effort to assign the available public resources efficiently" but expressed his confidence that it would both preserve macroeconomic stability and address "the priorities and preoccupations of society". It is doubtful whether 'society' would concur. Most Mexicans would not have prioritised increasing the budget for the federal congress, as Meade proposes, while cutting the budget for healthcare and security for instance.

No need for bespoke Cicig?

'No one is above the law' is a common universal precept which has rarely been upheld in El Salvador, but there are signs that could be starting to change. Attorney General Douglas Meléndez has broken new ground by ordering the arrest of his predecessor, Luis Martínez (2012-2015), in relation to a deep-rooted corruption scandal. This follows an unprecedented corruption probe into former president Francisco Flores (1999-2004), who died in January before he could stand trial, while another former president, Mauricio Funes (2009-2014), is also being investigated for corruption. This readiness to pursue high-profile corruption cases has prompted speculation that El Salvador is keen to demonstrate it does not require supranational intervention along the lines of Guatemala's anti-impunity body Cicig. But Meléndez made a key announcement on this front in the US this week.

Meléndez ordered the arrest of Martínez and his former deputy, Julio Arriaza; the refuse magnate, Enrique Rais, his nephew, Hugo Rais Blanco, and two of his lawyers; and a former judge, on corruption charges and for conspiring to defraud the justice system. Legal challenges were filed against Rais on more than one occasion to the attorney general's office (FGR) only for Martínez, allegedly, to archive the cases or manipulate the evidence to weaken them; accusations brought by Rais, by contrast, prospered. The judicial successes enjoyed by Rais abruptly dried up after Martínez left office last September. Reports by the local investigative publications *Factum* and *El Faro* found that, while in office, Martínez frequently used planes owned by Rais for official business and personal affairs in a clear conflict of interest.

The major case being investigated by Meléndez is a multi-million-dollar dispute between Rais and two former Canadian partners, Matteo Pasquale and Franco Pacetti. In June 2013 Rais filed a suit against the two Canadians accusing them of extortion to the tune of US\$25m. They countersued six months later accusing Rais of fraud, and claiming this was the precise sum they were owed by him for business involving his company Mides, El Salvador's largest waste disposal firm.

Meléndez's apparent zeal for combating high-level corruption was also in evidence when he ordered raids on 17 August on several properties owned by Miguel 'Mecafé' Menéndez, a close associate of former president Funes and a prominent member of the 'Amigos de Mauricio Funes' business group which helped him to win the presidential elections in 2009. A private security firm owned by Menéndez, Cosase, won multi-million-dollar contracts from the Funes administration. Funes is not only being investigated for influence-trafficking but also embezzlement and illicit enrichment. In mid February an investigation was launched into Funes, and one of his sons, Diego, into the origin of US\$700,000 of unexplained personal income in Funes' name (the majority of which [US\$520,000] was accumulated during his term in office).

During a videoconference at the Wilson Center think tank in Washington D.C. on 14 September, entitled 'Confronting criminal groups in El Salvador while strengthening the rule of law', Meléndez said he would create an anti-impunity unit in the FGR composed of specialised prosecutors. He did not provide any further details, but he stressed that corruption investigations had to avoid impunity, "irrespective of whether the officials involved are on the Left or Right", which left the FGR "alone".

**Funes flees to
Nicaragua**

Former president Mauricio Funes has been granted asylum by the Nicaraguan government led by President Daniel Ortega. Nicaragua's official gazette published details of the offer of asylum extended to Funes and his family, on 1 September, describing him as the victim of "political persecution". The gazette said Funes had requested asylum because he considered his life and physical integrity, and that of his family, to be "endangered [as a result of] fighting in favour of democracy, peace, justice and human rights, and his political affiliation". Funes moved to Nicaragua to carry out "consulting work" shortly after the corruption investigations into him began. Funes argued on Twitter that he was not trying to "evade justice" in El Salvador but "avoid persecution".

Quotes of the week

“We are not looking for loans or financial assistance, what we are looking for is investment. This is my message and why I have come to Beijing.”

*Peru's President
Pedro Pablo
Kuczynski.*

“The IMF ‘adjusted’ its growth prediction for Ecuador from -4.5 to -2.3% in 2016, that’s to say a ‘small’ mistake of nearly 100%. But if between April and now they have made so many mistakes, imagine over the course of five years! Who pays for so much irresponsibility?”

*Ecuador's President
Rafael Correa.*

“It’s not easy to carry out investigations when those involved in illicit activities enjoy economic power or the support of political parties, be it on the Right or the Left. But this isn’t going to stop us. We’re not going to allow impunity in the country.”

*El Salvador's attorney
general Douglas
Meléndez.*

Colombia's Santos admits there is no fallback plan

“I have no Plan B,” Colombia’s President Juan Manuel Santos conceded this week. Santos said that a victory for the ‘no’ camp in a 2 October referendum on the peace accord struck between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) would be “catastrophic”, threatening a revival of the 52-year old armed conflict and ending a great opportunity for the country’s economic expansion.

“I am sure that the ‘yes’ vote will win,” President Santos said in a message urging the Colombian public to vote in favour of the final accord with the Farc. “If ‘no’ wins we will return to what we had at the start of this government, six years ago.” The Farc insists that it is committed to peace whatever the outcome of the referendum. Santos has made clear that the final accord cannot be renegotiated so it is unclear how this would work in practice, but the Farc is determined to persuade the public of its good intent.

The head of the Farc negotiating team, ‘Iván Márquez’ (Luciano Marín Arango) expressed contrition this week for the “great pain we caused by taking hostages for economic reasons” during the armed conflict. He also apologised for the massacre by Farc guerrillas of 35 people in 1994 at a street party in the neighbourhood of La Chinita, Apartadó, in the region of Urabá (Antioquia department), a drug corridor fiercely disputed back then by guerrilla groups and paramilitaries. The apology followed a meeting between the government and Farc negotiating teams with representatives of the victims of La Chinita.

The Farc also began the release of minors in the guerrilla group’s ranks under the supervision of Unicef on 10 September. The guerrillas themselves will begin demobilising on 27 September (the day after Santos and the Farc’s maximum leader ‘Timochenko’ [Rodrigo Londoño Echeverri] formally sign the final peace accord), and move to a handful of so-called ‘concentration zones’ in the country for the following 180 days. This is a serious signal of the Farc’s intent coming five days before the staging of the referendum. Timochenko returned to Colombia from Cuba this week to participate in the Farc’s 10th conference between 17 and 23 September (delayed by four days for “logistical reasons”) to discuss the peace accord with members of the guerrilla group before the signing ceremony.

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