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Mexico faces up to the consequences of Trump's triumph

Donald Trump's victory in the US presidential elections creates significant uncertainty for Latin American governments but above all it poses major diplomatic and domestic policy challenges for the Mexican government led by President Enrique Peña Nieto. It was, to say the least, not the result most Mexicans were hoping for. However, what was once considered far-fetched and improbable is now a fact: Mexico is therefore having to think of a root-and-branch reassessment of bilateral relations with its powerful neighbour.

Trump's electoral victory on 8 November has given the Mexican government two big tasks. It began tackling the first early the morning after, as Finance Minister José Antonio Meade and the president of the central bank (Banxico), Agustín Carstens, gave a press conference and sought to calm the markets and stabilise the freefalling peso. Given Trump's anti-Mexico rhetoric during the campaign, including promises to build a frontier wall, slap a 35% import tariff on Mexican-made automobiles, deport Mexican workers in the US, and seek major changes to or even leave the North American Free Trade Agreement (Nafta), an outbreak of nerves on the foreign currency markets was inevitable. Asked off-the-record if there was panic at the finance ministry one official gave a one-word answer: "yes". The Mexican peso, which had strengthened during the preceding week on expectations of a victory for Hillary Clinton, plunged by over 13% at one point to M\$20.7 to the US dollar, its biggest single day fall since 1997. Some believe it will fall further to M\$25/US\$1.

Meade's response was that the authorities would avoid rushed decisions, respond cautiously, and seek to strengthen the country's macro-economic defences. The government would accelerate approval of the 2017 budget, pay special attention to solvency and liquidity targets, and move forward with structural reforms. Carstens noted that Banxico would meet next week to review monetary policy. There are widespread expectations – depending on how sustained pressure on the peso will be – of a sharp increase in interest rates (potentially taking the key rate up from 4.75% to 6.75%). Such a move will have negative effects on the economy, already suffering from sluggish growth.

The Mexican authorities may also seek to auction swaps as a currency stabilising mechanism as they did during the Lehman Brothers crisis of 2008. While Mexico has US\$177bn worth of foreign currency reserves and a large and flexible credit facility with the International Monetary Fund (IMF), it cannot escape the power of the 'Trump effect'. Asked about the impact of a Trump victory before the event, Carstens had described it as "a force 5 hurricane". Given Trump's protectionist positions economist Juan Carlos Moreno-Brid of the Universidad Nacional Autónoma de México (UNAM) has described the potential shock to the Mexican economy as "an earthquake, because 80% of Mexican exports go to the US market".

Boost for Left

Donald Trump's victory could give a big boost to so-called progressive left-wing governments in the region which have been rolled back in recent years. The embattled Venezuelan government led by President Nicolás Maduro could gain some respite, and might just regain some influence, especially if a Trump administration reverts to the combative stance of the last Republican government led by President George W Bush (2001-2009) eschewed by President Barack Obama. Most likely rejoicing in private, the Venezuelan foreign ministry issued a statement expressing its hope that a relationship could be established with Trump "based on respect [and] non-intervention in domestic affairs". Venezuelan opposition leader Jesús 'Chúo' Torrealba, meanwhile, said "We come from this disaster – the fantasy of policies driven by a single leader... Now others appear to be heading toward that cliff... Today the entire planet is waking up to uncertainties like those we Venezuelans have endured for at least 17 years".

The second big task facing Mexico is to understand what Trump will actually do when he is in the White House, and to respond accordingly. This is particularly difficult because the election was won by soundbites, rather than by policy proposals. Some analysts have argued that Trump's method is to start out with maximum demands as an aggressive negotiating tactic, before rolling back a little to reach negotiated settlements. If this is the case, it is still difficult for the Peña Nieto administration to read him and get a sense of what deals (if any) might be on the table.

Some clarification will emerge in the period running up to Trump's inauguration in January, but bilateral relations cover such a wide and complex set of issues (trade and economic integration, remittances, border security, coordinated action against drug trafficking, migration and labour regulations to name but a few) that the Mexican side lacks a clear sense of what the Trump team wants to do. Trump's earlier meeting with Peña Nieto during the campaign did not, after all, bode well for future relations between the two men.

Trump's victory changes the political landscape not just in the US, but also in Mexico. Peña Nieto has two years of his six-year term left to complete: the likelihood is that dealing with Trump, along with rising domestic crime, will further erode his popularity and weaken the ruling Partido Revolucionario Institucional (PRI). Meanwhile the latest polls in the long race to Mexico's 2018 presidential race are favouring former first lady Margarita Zavala of the right-wing Partido Acción Nacional (PAN) and left-wing populist Andrés Manuel López Obrador of Movimiento Regeneración Nacional (Morena). Both can be expected to capitalise on anti-US sentiment if a Trump presidency is seen as humiliating to Mexico as a nation. The net result is that bilateral relations are more uncertain than they have been since 1994, when Nafta was created.

Regional reaction to Trump's win

The first reaction from a Latin American government to Donald Trump's triumph came from Brazil's President Michel Temer, who predicted that bilateral ties would be unaffected because "it is an institutional relation... I am certain that things will go well". Colombia's President Juan Manuel Santos stressed that "We have been strategic allies of the US in Latin America and we hope to continue being [so]", but this masks a deep concern that a Trump administration will not be interested in preserving massive post-conflict, and post Plan Colombia, funding agreed under the government of President Barack Obama.

Argentina's President Mauricio Macri expressed hope that "we can work together for the good of our peoples", but Trump's protectionist and nationalist stance could fuel generalised currency devaluations, leading to higher inflation, a major concern for Argentina, and delayed investment decisions. This could scupper Macri's promise to deliver growth and low inflation, fuelling discontent which the opposition could harness in advance of legislative elections in October 2017.

Macri's cautiously welcoming sentiments were echoed by his Chilean peer Michelle Bachelet, albeit her foreign minister, Heraldo Muñoz, said that "under Clinton there would have been policy continuity, with Trump there is a huge question mark... uncertainty and concern". He added: "Obama could present the [Trans-Pacific Partnership] TPP now and get it approved before he leaves office [but] Trump could unilaterally annul it... we cannot predict what Trump will do".

Trump, for instance, has flip-flopped on Cuba; at first he expressed support for the Obama-driven diplomatic rapprochement with the Communist island to end a Cold War anachronism but then, possibly for reasons of political expediency rather than personal conviction, he backtracked and said it should be reversed. Cuba's Communist party mouthpiece *Granma* published a front-page piece shortly after the confirmation of Trump's victory announcing nationwide military exercises between 16 and 18 November "to elevate the country's state of readiness... to confront the enemy's different actions".

Rallying around Hausmann

A group of leading international academics and economists have also written an open letter expressing support for Ricardo

Hausmann, calling President Maduro's attacks "appalling and shameful".

Signatories include well-known figures including Guillermo Calvo (Columbia), Domingo Cavallo (Argentina), Joseph Nye (Harvard), José Antonio Ocampo (Columbia), Carmen Reinhart (Harvard), Kenneth Rogoff (Harvard), Joseph Stiglitz (Columbia), Federico Sturzenegger (Central Bank of Argentina), Roberto Mangabeira Unger (Harvard), Martha Chen (Harvard), Andrés Velasco (Columbia) and many others.

Maduro attacks Hausmann, Citibank

President Nicolás Maduro has accused the distinguished Venezuelan economist and Harvard Professor Ricardo Hausmann of being the "principal promoter of the financial war against Venezuela" and "a thousand times a traitor". Also in the Maduro government's bad books is the US-based Citibank, which recently withdrew its services as correspondent bank to the Venezuelan government and central bank (BCV). Deputy Freddy Bernal of the ruling Partido Socialista Unido de Venezuela (PSUV) has held Citibank responsible for food scarcity in Venezuela, accusing it of having "shot Venezuelans in the stomach".

In a press conference on 6 November, Bernal said that 29 cargo ships laden with raw materials for food processing had been stuck in Venezuelan ports for 68 days, unable to unload, because of Citibank's "financial sabotage" in ending its service as Venezuela's main mechanism for foreign currency payments. "Sixty eight days it took us to look for payment mechanisms, and the country should know this, that impacted negatively on food distribution," he stressed, adding that "thanks to an important effort by the government by Nicolás Maduro, those boats were paid and now they are unloading". "Now we have sufficient raw sugar, sufficient grain for flour, sufficient soya oil...to prepare for the Christmas season," Bernal declared.

Every year since 2013, the Maduro government has made a big effort to ensure that Venezuelans have access to the various food specialities and other items typically enjoyed by families at Christmas time. Venezuelans also enjoy a rise in the minimum wage on 1 December, plus a seasonal salary bonus in their December pay packets, to pay for which the Maduro government has resorted to additional money printing – weighing heavily on the inflation pressures in the country. Bernal, however, blamed the financial and economic war being waged against Venezuela for creating "induced inflation" that "took the index to 180.9% in 2015" and escalated "price speculation" for basic products. As in most things, the Venezuelan government assumes no blame for inflation, attributing it to factors not of its making.

In early July Citibank announced that it had taken a decision to stop providing correspondent banking services to all clients in Venezuela, public or private, following a risk revision analysis. About 20 clients were affected, the bank noted. This included the BCV and the state-owned Banco de Venezuela. Citibank, which has been operating in Venezuela for the best part of a century, stressed that the move "doesn't imply any decision to reduce our presence in Venezuela, or leave the country or stop operating there." There was no explanation by Bernal as to the reason Citibank ended its relationship with the Venezuelan authorities, but that reason is almost certainly related to the ongoing (and apparently widening) investigations by both the US Treasury and the US Justice Department into links between Venezuelan government officials/agencies and organised crime and drug trafficking elements.

Neither was there any acknowledgement of the fact that Venezuela's difficulties in securing an alternative correspondent banking partner relates to its sky-high international risk profile (along with Mozambique, Venezuela is ranked the world's riskiest bond debt holder). For that reason, most large US financial institutions do not want to have anything to do with the country at the moment. It is unclear which bank is now providing correspondent services to the Venezuelan government and the BCV, albeit some reports have suggested that the Maduro administration has had talks with Chinese, Russian and French banks, as well as some smaller US institutions based in Florida.

Jatar's arrest

Ricardo Hausmann's brother-in-law, Braulio Jatar, a journalist of Chilean origin, was detained in early September at his home on Venezuela's Margarita Island, after he broadcast images of President Maduro being heckled and surrounded by angry locals on an official walkabout in a local neighbourhood. According to his family, Jatar is now being held at the Caracas headquarters of the Bolivarian intelligence service (Sebin); Chilean government efforts to secure his release have got nowhere to date.

Hausmann comes under renewed fire

Meanwhile, Maduro launched a fresh attack on Ricardo Hausmann, the Kennedy Business School Professor (and former planning minister in Venezuela under Carlos Andrés Pérez [1974-1979; 1989-1993]), who famously accused the Maduro government of "moral bankruptcy" for choosing to remain current on its external debt over the basic needs of Venezuelan citizens.

Maduro regularly blasts Hausmann as architect-in-chief of a war against Venezuela. On his weekly television show on 3 November, just after Venezuela had met its latest external debt payments on schedule, Maduro once again accused Hausmann, the three international rating agencies, the US Treasury Department and "financial operators of the International Monetary Fund" of leading a campaign of "financial persecution" against Venezuela. He called on Venezuela's attorney general to launch proceedings against Hausmann and said he would issue an Interpol red alert for his capture. "You are a failure, sooner or later justice will come for you," Maduro said.

On 7 November Hausmann responded with an open letter in which he cited Maduro's "unusual capacity to blame others for things that are strictly his responsibility". "Finalising a trip that took me to Albania, South Africa, India and Kazakhstan, where I spoke to the governments of those countries about how to face their problems, I find myself again being blamed by Nicolas Maduro for his disaster," Hausmann wrote. "Apparently, Venezuela's financial problems have nothing to do with decisions taken by him – fiscal deficit of 20% of GDP, price controls, a currency differential of over 2600%, inflation of three digits, expropriations – but rather a supposed conspiracy led by two Venezuelan intellectuals".

"Venezuela's problem is not Moisés Naím and me," Hausmann continued. "If Maduro wants to find the guilty one, he should look in the mirror. It is Maduro and his eternal little bird that squandered the biggest oil boom in the country and now can't pay their obligations. In the same period, oil countries like Kazakhstan accumulated three years of oil exports in their sovereign fund and they don't have difficulties in facing the current fall in prices. But Venezuela took advantage of high oil prices to get more indebted and create a situation that's unsustainable even at US\$100 a barrel". Removing any veneer of academic cool, Hausmann also accused Maduro, "the despot who runs Venezuela", of being "a violator of the constitution and of human rights".

Last chance saloon

The Maduro government and the Venezuelan opposition, meanwhile, remain in talks mediated by the Vatican and the Union of South American Nations (Unasur), with a preliminary deadline of 11 November. The public rhetoric remains somewhat belligerent, with Maduro blasting the opposition Mesa de la Unidad Democrática (MUD) for ultimatums and unreasonable demands. These demands include a call for early general elections, the replacement of national electoral court magistrates and the release of political detainees, among others. The Maduro government is talking tough despite strong warnings from both the Vatican and the US government that a failure of the latest dialogue effort could lead to bloodshed.

Archbishop Claudio Maria Celli of Argentina, the papal envoy dispatched to Caracas for the talks, told Argentine media that the situation was "very ugly" and that he feared bloodshed. Likewise, the US envoy to the talks, Tom Shannon (Under Secretary of State for Political Affairs at the State Department), said the latest dialogue was "the last best effort to try to find a negotiated, peaceful solution". "Absent this dialogue process," Shannon noted, "Venezuela will find itself in a state in which both the government and the opposition will have to measure themselves through their ability to put people onto the streets".

Kuczynski's popularity

Vice-President Martín Vizcarra, also transport and communications minister, was slightly more outspoken than President Kuczynski over the central bank appointments.

“Irrespective of his technical and professional qualities I don't think the appointment [of José Chlimper] is appropriate as he is a political representative of Fuerza Popular,” Vizcarra said. But some still feel that, if not complicit, Kuczynski has been spineless. After a positive start to his presidency, Kuczynski completed 100 days in power on 4 November with his approval rating down 10 percentage points to 55% in the space of a month, according to a poll by Ipsos published this week.

Protesters condemn central bank politicisation

Deputies from the left-wing Frente Amplio (FA) joined university students and trade unionists in marching through the historical centre of Lima on 8 November to protest against the decision by congress to appoint three new members of the central bank (BCRP) board of directors renowned less for their technical abilities than their affiliation with the right-wing Fuerza Popular (FP). FP used its congressional majority to make the three political appointments. Reluctant to antagonise FP over an issue it ultimately has no power to oppose, the government led by President Pedro Pablo Kuczynski offered mealy-mouthed criticism, leading to accusations that it was complicit.

The FP majority in congress rushed through the appointments of José Chlimper, Rafael Rey and Elmer Cuba as the three new BCRP board members without any discussion of their relative merits on 27 October. Five FA deputies presented a motion to annul the appointments but to no avail. The FA deputies and student protesters accused FP legislators of flouting the organic law of the BCRP which stipulates that directors must have moral solvency, wide competence, experience in economy and finance, and not represent any entity or private interest.

Chlimper studied economics at university and has sat on the BCRP board of directors before, but he was the running mate of FP's Keiko Fujimori in Peru's presidential elections this year and his moral solvency is questionable. Chlimper replaced Joaquín Ramírez as secretary general of FP during the election campaign after it emerged that the latter was the subject of an investigation by the US Drug Enforcement Administration (DEA). Chlimper was then accused, along with a sympathetic director at *Panamericana Televisión*, of tampering with an audiotape containing the damaging allegation from a former Peruvian pilot and ex-DEA agent, Jesús Vásquez, that Ramírez laundered US\$15m for Fujimori ahead of her failed election campaign in 2011 [[WR-16-19](#)].

Rey has served as a production and defence minister but, by his own admission, has no experience in economy and finance. A former running mate of Fujimori in 2011, Rey said he would have to study the finer details of monetary policy. Cuba, meanwhile, was Fujimori's adviser on economic matters during the recent electoral campaign. His financial and economic acumen is not in doubt but he does represent a private interest, being a partner in the economic consultancy firm Macroconsult.

President Kuczynski avoided any confrontation with FP over the appointments, fuelling suspicion among his detractors that his Peruanos por el Cambio (PPK) party might have struck a deal with FP over the matter. Kuczynski said that Chlimper was “well qualified for the position”. While he added that the central bank needed “independent directors”, Kuczynski stressed that it was not up to his government to object to the appointments made by congress; the government designated the president of the BCRP and three other members to the seven-seat board of directors.

The prime minister, Fernando Zavala, denied that the Kuczynski administration had forged “an alliance in terms of naming people [with FP]”. Critics of FP seem more inclined to believe that the government is not guilty of collaboration over the BCRP appointments, accusing Fujimorismo, in the words of Mirko Lauer, the respected columnist for the national daily *La República*, of carrying out “the work of a boa constrictor”. Richard Paredes, a representative of the student protesters, said that the protest march in Lima was “against the attempt by Fujimorismo to take over public institutions”.

Proposed revisions to peace accord

A group of Colombian think tanks, university professors and jurists published a statement on 6 November containing a series of proposals designed to be acceptable to the Farc while placating the 'no' camp opposed to the peace accord. They suggest, for instance, that revisions to the peace accord should include clarifying that Farc commanders and the military hierarchy should be held responsible for the actions of their subordinates; that the conditions of 'restriction of liberty' for members of the Farc sentenced by the transitional justice system should be fixed; and, on the vexed issue of political participation of former guerrillas, that those sentenced by the transitional justice system should recover political rights progressively in accordance, *inter alia*, with their satisfaction of victims' rights.

Petroperú declares emergency

Peru's state-owned oil firm, Petroperú, declared itself in 'a state of emergency' on 2 November after reporting a new leak at its Norperuano oil pipeline (ONP) in the Lagunas district of the north-eastern Amazonian region of Loreto. This is the third major leak in the area since February and the tenth leak affecting the ONP since the start of the year.

These incidents have sparked serious concerns about the safety of the facilities at Petroperú, with some local analysts warning that the underfunded firm has failed to invest appropriately in maintaining its infrastructure. Petroperú has denied this and has attributed the leak to attacks on its infrastructure, and the ONP in particular, by individuals seeking to undermine it and Peru's national oil industry.

A Petroperú statement explained that its board had decided to declare the state of emergency following the discovery of a leak at the ONP's 'section 1' near the indigenous community of Naranjal. Stating that investigators believed the leak was the result of a deliberate attack on the pipeline, the statement said that the board had agreed to declare the emergency "until it can guarantee the security and integrity of our infrastructure". It added that the firm is currently working with the national government to try to reinforce patrols and surveillance of the ONP to ensure its security.

Yet the firm also urged the authorities to expedite the investigations to try to find those responsible for the attacks, which it said have been carried out by individuals "with ulterior political and economic interests". Petroperú was careful not to name any suspects but the implication was that these could be linked to the local indigenous groups that have been staging protests in Loreto for the past few months demanding that the authorities fully clean up and pay them compensation for the major oil spill that took place in February, when some 3,000 barrels of oil spilled into local rivers – an incident that the hydrocarbons & mining sector regulating body, Osinergmin, is still investigating to determine whether Petroperú has any responsibility.

COLOMBIA | POLITICS & SECURITY

Santos claims swift progress with Farc

President Juan Manuel Santos maintained that the peace process was back on track this week after government negotiators re-launched talks with their counterparts from the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Cuba. Santos said 500 proposals from those who campaigned successfully against the peace accord in the national referendum on 2 October had been condensed into "57 thematic sections" and that progress had been made with the Farc in discussing these. Former presidents Alvaro Uribe (2002-2010) and Andrés Pastrana (1998-2002), two of the most prominent critics of the peace accord, insisted this week, however, that "cosmetic" changes to the peace accord would not suffice.

After meeting the bulk of his peace negotiators on 5 November, President Santos ordered them to go into "conclave mode" with their Farc counterparts to reach an agreement over revisions to the peace accord "very rapidly". He said the proposals from the 'no' camp had been grouped into discrete sections to expedite the revision process.

Santos maintained that "difficult points" had already been addressed and "very important advances" made after "working sessions of more than 12 hours a day" this week. He singled out an adjustment to the rural, land and agricultural development section of the accord to ensure respect for private property (one of Uribe's demands) and to prioritise areas most affected by the armed conflict. Santos also said that changes had been made with regard

La Guajira

Juan Francisco 'Kiko' Gómez Cerchar was twice mayor of his native town of Barrancas (1995-1997; 2001-2003), before being elected as governor of La Guajira in 2011 for Cambio Radical (CR), part of the Unidad Nacional coalition of President Santos. Gómez stands accused of three murders, including that of a political opponent (Luis López Peralta) in Barrancas in 1997.

to “combating drug-trafficking more firmly and to offer real alternatives to campesino communities caught up in it”. He even claimed that progress had been made on “the very difficult issue of justice and victim compensation”.

The ‘no’ camp will want to see substantial compromise from the Farc, however, if it is to accept the revisions without demur. Uribe expressed his concern this week that the government was entitled “juridically and politically to make superficial reforms...to the peace accord” and then push this through congress where it has a majority. Uribe argued, however, that this “would not convince the public”. Pastrana, meanwhile, argued that “peace is not just the preserve of one man or one government; peace is for all Colombians and therein lies the importance of the government calling everyone to participate in a national dialogue”.

Chronicle of a failed department

The north-eastern department of La Guajira, which borders Venezuela, held extraordinary gubernatorial elections on 6 November. Wilmer David González Brito, a former deputy in the lower chamber of congress for the Partido de la U, part of the ruling Unidad Nacional coalition, narrowly defeated Norberto ‘Tico’ Gómez Campo, of the right-wing Opción Ciudadana, to become the fifth governor of the troubled department since 2011.

If a peace accord with the Farc guerrillas is eventually approved, departmental governors will be responsible for implementing it and will receive millions of dollars of post-conflict resources for this purpose, making it important for responsible officials to be elected to office. President Santos had urged voters in La Guajira to turn out and cast their ballots, denouncing any irregularities, but it will need more than that to clean up politics in the department which are a byword for corruption and crime. Despite central government funding, numerous public works projects are never completed, poverty is widespread, and child malnutrition a serious problem.

González replaces Jorge Enrique Vélez, who has been serving as interim governor since June this year. Vélez assumed the post after the election of Oneida Pinto in October 2015 was annulled by the council of state. Pinto broke electoral law which bars someone who has served as mayor from registering as a candidate for another elected post until 12 months after stepping down. Pinto had left her position as mayor of Albania in La Guajira on 21 July 2014 and registered as a gubernatorial candidate on 25 June 2015, winning election four months later.

Pinto’s predecessor, José María ‘Chemita’ Ballesteros Valdivieso, had defeated González in extraordinary elections in June 2014. Ballesteros completed the term of Juan Francisco ‘Kiko’ Gómez Cerchar, who was elected in 2011. Gómez was arrested by the Cuerpo Técnico de Investigación (CTI), the investigative division of the attorney general’s office, in October 2013 on charges of corruption, arms-trafficking, murder (*see sidebar*), and links to the disbanded paramilitary group Autodefensas Unidas de Colombia (AUC) and their neo-paramilitary successors (Bacrim). Ballesteros had been backed by the Gran Alianza, which brought Gómez to power.

With this track record it is little wonder that abstention in elections on 6 November surpassed 60% as many voters in La Guajira, which has a population of some 565,000, had reservations about the candidates standing for election. While González promised to tackle widespread poverty and fight corruption, he is far from squeaky clean.

González was backed by the electoral machinery of Deputy Alfredo Deluque, the son of Hernando Deluque, who served as governor of La Guajira from 2001 to 2003 and was sentenced to nine years in prison for embezzlement and unfulfilled contracts in May this year. González’s second wife, Laura Andrioli, was arrested for suspected embezzlement in 2006 when she was the departmental secretary of indigenous affairs. Meanwhile, González’s brother, José González Brito, a deputy in the lower chamber of congress representing La Guajira, was arrested in November 2011 accused of assisting illegal armed groups in the Alta Guajira.

Rousseff makes tentative comeback**Rousseff names
Temer in corruption
case**

Defence lawyers representing former president Dilma Rousseff have accused incumbent President Michel Temer of receiving R\$1m (US\$309,000) in illicit campaign funds from construction company Andrade Gutierrez in 2014. The supreme electoral tribunal (TSE) had initially accused Rousseff of receiving that money based on false evidence from plea bargaining testimony. But her name has now been cleared and Temer has been implicated in her place.

This week, embattled former president Dilma Rousseff (2011-2016) made her first political visit outside Brazil since her impeachment. Despite the opposition's attempts to paint Rousseff as a sad figure past her political sell-by-date, Brazil's first female president made a modest comeback this week when she crossed the border to lead a political rally in Uruguay.

Having been replaced by President Michel Temer in what Rousseff calls a "coup d'état", the former head of state has mostly stayed out of the media spotlight until now. After the federal congress voted decisively to remove Rousseff from office on 31 August, her repeated attempts to appeal the impeachment verdict have largely fallen on deaf ears. Similarly, her campaign for the leftist Partido dos Trabalhadores (PT) to win the municipal elections last month fell flat, with the candidate she backed in Porto Alegre, the capital of the southern state of Rio Grande do Sul, losing by a sizeable margin. Following that defeat, Rousseff kept her head down, refusing to attend the electoral run-offs and only resurfacing briefly to congratulate her mentor, former president Lula da Silva (2003-2011), when he celebrated his 70th birthday.

As far as her opponents are concerned, Rousseff's political career is over. Rousseff still writes sporadically on a site called Alvorada blog – signalling that she has not yet come to terms with life outside the presidential palace. Nowadays, Rousseff is living in a modest apartment in Porto Alegre, and "avoids talking about politics and often rides a bicycle around the Tristeza neighbourhood," according to a column by Natuza Nery published in *Folha de São Paulo* on 1 November.

However, the former Marxist guerrilla, who has survived cancer, imprisonment and torture, will not settle for a quiet life so easily. On 4 November, Rousseff finally re-appeared on the public stage at a rally in Montevideo to defend democracy and stand up for workers' rights.

Rousseff was invited to speak by Uruguay's main umbrella workers' union, the Plenario Intersindical de Trabajadores-Convención de Trabajadores (Pit-Cnt). She gave an impassioned speech in defence of Uruguayan workers, protesting to raise their salaries, and likened the plight of Uruguayans struggling to make ends meet on low wages to the hardships suffered by lower- and middle-class Brazilians during the economic recession.

Rousseff praised the Uruguayan government for its progressive policies, in contrast to what she described as the trend for right-wing ideology sweeping through the Americas. As the pink tide retreats, Rousseff fears a return to a "neoliberal" era in which "brutal social cuts are the norm". In her own country, she vehemently opposed the spending cap proposed by Temer's administration which could threaten state funding for benefits, education, health and pensions.

For all her criticisms of right-wing governments, Rousseff could not ignore the landslide defeat of her own party, the PT in the municipal elections. Many attribute the party's fall to events which occurred under Rousseff's rule, including several episodes of financial mismanagement and a wave of corruption allegations tainting the reputations of hundreds of politicians. But Rousseff countered that Brazil's move to the Right in the municipal elections was also due to political "fragmentation," which has led to "ideological displacement."

Government cashes in on tax amnesty programme

On 8 November, Finance Minister Henrique Meirelles said the amnesty programme for undeclared offshore assets had been successful as a money-making scheme and raised R\$47bn (US\$14.67bn) in revenue. The government will use that money to reduce the deficit for state-owned companies, Meirelles said during a conference with the Confederação Nacional da Indústria (CNI).

Perhaps as a consequence of this, countries like Brazil are becoming “ungovernable”, Rousseff said. She went on to accuse Temer’s administration of overcompensating for a lack of political support by using “repressive” force to control the opposition. On 4 November, police stormed a school funded by the leftist Movimento dos Trabalhadores Rurais Sem Terra (MST) and arbitrarily arrested two people, wounding an elderly man and shooting stray bullets into the air; violence which Rousseff condemned as unnecessary. “We will not remain silent in the face of the banalisation of violence,” tweeted the former PT leader the day after the event. Police defended their actions by saying they were investigating reports that a crime had been committed at the school.

Unlike in Brazil, where Rousseff remains highly unpopular, the former president can still count on the support of left-wing sympathisers in other parts of Latin America, including Uruguay. President Tabaré Vázquez, of the ruling left-wing Frente Amplio (FA) coalition, greeted Rousseff like an old friend, describing her as an “illustrious visitor”.

Members of Uruguay’s political opposition were less enamoured with Rousseff’s visit. They hounded Vázquez for honouring the former president, expressing concern that this gesture would antagonise the current Brazilian government and undermine the diplomatic ties between Brazil and Uruguay. Perhaps the opposition was right to be concerned. Rousseff refused to shy away from controversial topics such as whether Venezuela should be expelled from the Southern Common Market (Mercosur) bloc, saying she advocated Uruguay’s initial stance to engage in dialogue rather than following Temer’s more authoritarian approach of seeking its expulsion.

Rousseff’s decision to stage her comeback in Uruguay was far from coincidental. Uruguay’s government was one of the few to publicly criticise the move by Brazil’s congress to impeach her. Furthermore, Rousseff built her political career in Rio Grande do Sul, which borders Uruguay. Most importantly, she feels a strong ideological affiliation with the country. “Uruguay is symbolic of what Latin America shared, I think the country has a very important role with regards to democracy...a democracy which is now being threatened,” she said.

Temer defends progress of economic reforms

As elsewhere, the election of the US Republican presidential candidate Donald Trump has shaken the Brazilian markets. This could damage President Temer’s plans to put Brazil’s economy back on the straight and narrow. On 9 November, the Brazilian stock market, Bovespa, fell 3% as the US dollar rose by over 2% against the real.

Finance Minister Henrique Meirelles said Brazil was preparing to deal with a high level of “volatility” in the international financial markets following the election result. The head of Brazil’s central bank, Ilan Goldfajn, confirmed that he was following the global markets closely and would take “appropriate measures” to adjust bank rates at a press conference recorded by news site G1 on 9 November.

Even before election results came out, Meirelles said Brazil would recover from recession later than planned. During a conference with the Confederação Nacional da Indústria (CNI), on 8 November, Temer had warned the public that getting public finances in order would “take time” and set back the expected date for Brazil to emerge from recession from early next year to the end of 2017. However, this date now looks likely to be pushed back again.

Despite the government’s attempts to blame the recession on irresponsible public spending under the previous administration, shake-ups to the global market like the US election result show Temer’s promise to revive the economy are not entirely in the government’s control. Given that most of his policies revolve around financial concepts, this could be a huge blow to his political power.

Rising star in Uruguay's political firmament

Partido de la gente

"Yesterday it was Colorados, today it is Blancos, tomorrow it will be frenteamplistas," Edgardo Novick said. "They have all kept their jerseys but they are going to put Uruguay first because the people want us to be together." Novick did not discuss the proposals which would make his Partido de la gente stand out, but he highlighted all the areas where the FA is widely perceived to be failing. Novick promised "to improve education...to end insecurity, and to tackle organised crime and drug-trafficking hard". "We want public companies well managed with capable people [at the helm]," he added, in a swipe at Vice-President Raúl Sendic whose management of the state oil company Administración Nacional de Combustibles de Alcohol y Portland (Ancap) from 2010 to 2013 has come in for fierce criticism.

Uruguay's ruling left-wing Frente Amplio (FA) coalition is experiencing its most challenging period in government since coming to power in 2005: the economy, after nearly a decade of rapid growth has ground to a halt, and pots-and-pans protests about public security recently resulted in the interior minister, Eduardo Bonomi, (successfully) running the gauntlet of his third motion of censure in congress. And yet it is the main opposition parties, the Partido Nacional (PN, Blancos) and Partido Colorado (PC, Colorados) who are facing the most serious political threat. The PN and PC's hopes of capitalising on the FA's political travails in general elections in 2019 have been damaged by the decision by the wealthy businessman Edgardo Novick to register a new party with which he intends to run for president in 2019.

Novick went to the headquarters of the electoral court on 7 November armed with a series of documents, including a declaration of principles, to register his new party Partido de la gente. Celebrating the "historic" day, Novick thanked supporters for coming from "all over the country" to Montevideo to accompany him to the electoral court with his registration papers. Novick who said that he had gathered some 7,500 signatures "in a day and a half", maintained that the emphasis of Partido de la gente, in keeping with its name, would be "thinking about the people...we always have to think about what is best for Uruguay".

The PC and PN formed a political duopoly in Uruguay until the FA emerged as a force to be reckoned with after the return to democracy in the wake of 12 years of civic-military dictatorship in 1985. Since then FA splinter groups have established two political parties – the Partido Independiente (PI) in 2002 and Unidad Popular (UP) in 2013. Both have a small legislative presence but neither has particularly thrived. This might suggest that Uruguay's traditional parties will not be unduly concerned by the formation of Partido de la gente. But that would be wrong.

Novick is no novice. He revealed himself to be a formidable electoral force in last year's municipal elections when he finished second in Montevideo as an independent running under the Partido de la Concertación opposition coalition banner, with 21%, ahead of Lucía Topolansky, the wife of former president José Mujica (2010-2015), who was running for the more radical wing of the FA. Novick finished 11 percentage points behind the victor, Daniel Martínez, from the moderate wing of the FA. Novick, on his own as an independent, received 205,428 votes in Montevideo, 40,000 more than the sum of all of the votes for PC candidates for governor in Uruguay's 19 departments.

PN and PC leaders have made clear in recent months that they will not revive the Partido de la Concertación for presidential and legislative elections in 2019. This left Novick with no political platform, which he set about redressing. Novick already has a legislative presence almost the equal of the PI before his party has even competed in any elections. PC Senator Daniel Bianchi (one of four senators elected for the PC) and PC Deputy Guillermo Facello have joined Novick. Both hail from Vamos Uruguay, the dominant PC faction led by the party's last presidential candidate Pedro Bordaberry. On the same day as Novick registered Partido de la gente, PN Deputy Daniel Peña joined, abandoning the party to which he had belonged since he was 13. Novick said the next step would be to court members of the FA. If even one FA legislator or senator joins Novick's new party it would have a massive impact on Uruguayan politics for the three years until general elections as the FA has a tenuous hold on congress with wafer-thin majorities in both the lower chamber and the senate.

Mixed poll results for Macri

The latest poll by Ipsos Mori released on 9 October showed that 51% of Argentines have a positive image of President Macri, while 41% view him negatively. However, only 26% of respondents were optimistic about Argentina's future, and 73% believe the economy is in a bad state. Only 3% thought that the domestic economy was doing well. Though Macri's personal popularity may seem positive, the poll suggests Argentines feel the country's economic future still looks decidedly bleak in the wake of the major 'economic adjustment' that his government has implemented since he took office.

Warnings over 'Festival of Bonds'

The Argentine government led by Mauricio Macri has been warned that its constant issuance of sovereign bonds following its full reintegration into international financial markets to try to raise much needed funds could reach a tipping point. The warnings came after the Macri government announced two new bond issues on 8 November. The first, to be paid in Argentine pesos, totals Ar\$333.1m (US\$22.16m) whilst the second will be added to a September issuance of US\$300m to the value of US\$50m.

Since marking its full reintegration into the international financial markets after settling its long-running debt dispute with 'holdout bondholders' in April with a record US\$16.3bn bond emission, the Macri administration has issued bonds to raise funds to pay off its existing public debt and to fund the various development programmes that Macri has vowed to pursue, practically every other week (private estimates put the current figure issued in bonds at US\$45bn). Finance Minister Alfonso Prat-Gay has argued that continuing to issue bonds at this rate was necessary to help finance the public debt and macroeconomic imbalances left behind by the leftist Frente para la Victoria (FPV, Kirchneristas) administrations (2003-2015).

On 4 November the Macri government announced that it had paid off US\$47.04bn in debt since December 2015 but that the level of public debt still stands at 55% of GDP. This figure is around half the 120% of GDP in debt that Argentina had accrued by 2005 in the wake of the 2001 economic and financial crisis but higher than the 39% of GDP of public debt registered in 2011 after the successive FPV administrations concluded their debt restructuring plans. This has earned the Macri government criticism from former president Cristina Fernández (2007-2015), and warnings from local economists that this "festival of bonds" could once again lead to unsustainable debt.

Ramiro Castiñeira, chief economist at local consultancy Econométrica, said that this rate of debt issuance without reducing the fiscal deficit was unsustainable and would lead to another financial disaster in a country that has defaulted four times in its history if it is not kept in check, noting that the level of public debt stood at 54% of GDP before the 2001 crisis. This has been dismissed by the Macri government, which maintains that Argentina is now accessing funds in international markets at more favourable terms than in the past and that while the public debt is relatively high, the proportion of this held by the private sector stands at just 19% of GDP.

Argentine tax amnesty

Argentines have so far repatriated some Ar\$71bn (US\$4.7bn) of undeclared savings held in overseas accounts, in the first stage of a tax amnesty plan launched by the Macri administration in May. At the time Macri said that many Argentines had sent money abroad "because they did not trust in the state," and he urged the public to be "part of this new era that's beginning in Argentina".

"It is a very important vote of confidence that around 100,000 Argentines have decided to regularise their possessions," Finance Minister Prat-Gay said in a press conference on 31 October in relation to the release of the figures. Prat-Gay would not put a figure on how much undeclared cash, and property assets, would be repatriated but analysts are predicting that it could increase by tenfold to some US\$40bn by the time the tax amnesty expires on 31 March next year.

Repatriated assets will be taxed at rates between zero and 15% with revenue raised used to fund an increase of 40% in pension benefits. The government also wants to create a universal allowance for senior citizens, as well as fund the payment of hundreds of thousands of lawsuits related to unpaid or undervalued pensions.

Maritime freight industry struggles

The president of Mexico's maritime transport industry chamber (Cameintram), Luis Manuel Ocejo, said on 2 November that due to the ongoing financial crisis affecting Mexico's state-owned oil firm, Pemex, more than half of Mexico's merchant navy firms are at risk of bankruptcy.

Ocejo explained that the financial difficulties currently being experienced by Pemex due to persistently low international oil prices had led to a significant reduction in Pemex's activities in the Gulf of Mexico, resulting in the majority of Pemex contract ships becoming idle. Ocejo said that this, along with the arrival of an increasing number of foreign freight vessels to the Gulf of Mexico, has led to 76 Mexican-registered freight ships previously employed by Pemex currently being static at ports, with an additional 30 ships having their Pemex contracts suspended.

Last year, 147 Mexican-registered transport ships were contracted by Pemex but Ocejo said that this year in addition to Pemex contracting fewer ships it had also opted to employ more foreign ships. Noting that this represented almost 60% of Mexico's merchant navy (the world's fifth largest), Ocejo said that this has caused the loss of 2,000 specialised jobs in the sector. Ocejo added that 64 national maritime transport firms, which account for as much as 1% of national GDP, are currently in danger of going bankrupt, putting 300,000 jobs at risk; and he called on the government to do more to support Mexico's maritime freight industry as established in the federal navigation and maritime trade law by restricting the issuing of permits for foreign transport ships (*see sidebar*).

Ocejo complained that authorities were issuing temporary permits for foreign transport ships to provide services to the oil industry in the Gulf of Mexico even though the federal navigation and maritime trade law states that these should only be issued if Mexican-registered ships are unable to provide the required services. In a statement Pemex admitted that it has reduced the number of transport ships it contracts as part of its budget cuts but denied that they had to date contracted any foreign vessels.

TRACKING TRENDS

MEXICO | Logistics centre. On 3 November, the governor of the Estado de México (Edomex), Eruviel Ávila, attended the opening ceremony of the new logistics centre built by the US multinational courier delivery service FedEx Corporation, in the Edomex municipality of Cuautitlán Izcalli. The centre will be FedEx's largest in the whole of Latin America, and its opening represents a boost for Edomex and Mexico itself as investors show their confidence in the country's economy, which is expected to grow by 1.8% in 2017.

FedEx has had a presence in Mexico since 2011, and in 2013 it announced fresh investment in the country totalling US\$165m. The construction of the new site forms part of that investment plan. FedEx already employs 5,000 people in Mexico, with the latest facility set to create another 2,000 jobs, according to Ávila. At the ceremony, the governor cited the significant reduction in crime during his term as one of the prime reasons for the continued rise in investment in the state. Back in September Mexico's federal government released the latest instalment of its national victimisation survey (Envipe), which found that the crime rate fell by 32% in the past year in Edomex.

Ávila said that it was critical for crime rates to continue to go down in future to encourage more investment in the state, and he invited foreign companies to connect their security surveillance cameras to the two new police command and communication control centres (C-5) currently being built in the state to help improve public security.

Merchant navy

The merchant navy directorate at the federal transport ministry (SCT) reported that to date it has issued 46 temporary permits for foreign transport ships servicing the oil industry in the Gulf of Mexico. However, the merchant navy directorate said that these were awarded at the request of firms operating in the sector and rejected accusations made by Ocejo that this process had been "more lax" than is customarily the case with Mexican firms. It insisted that the temporary permits it has issued have been requested by private firms that are now starting to operate in Mexico's territorial waters in the Gulf of Mexico following the liberalisation of oil production in Mexico to private firms as per the 2013-2014 energy reform.

Ortega sweeps to victory

President Daniel Ortega claimed another landslide victory in general elections on 6 November – his third consecutive election and fourth presidential term. Ortega’s Frente Sandinista de Liberación Nacional (FSLN) also consolidated existing control of the 92-member legislature. However, the opposition once again slammed the electoral process itself given the FSLN’s control of the electoral authorities (CSE) among other state institutions. Having flagged up rulings earlier in the year against the main opposition Partido Liberal Independiente (PLI) [WR-16-30] and Ortega’s refusal to authorise reputable international observers to oversee the vote, the opposition and civil-society groups are now pointing to “massive abstention” as the latest sign of the flawed process. While the Ortega government’s economic management has been a key factor in his enduring popularity, the threat of US action in response to these latest democratic concerns points to one of various possible clouds looming over the FSLN’s next term.

With 99.8% of ballots counted, the CSE declared that Ortega took 72.5% of the presidential vote (up from 62% in the previous election in 2011). In second place, with 15%, was Maximino Rodríguez of the Partido Liberal Constitucionalista (PLC), the party of disgraced former president Arnoldo Alemán (1997-2002). Finishing third, with 4.5%, was PLI’s José del Carmen Alvarado Ruiz, while candidates from the Alianza Liberal Nicaragüense (ALN); Partido Conservador (PC); and Alianza por la República (Apre) made up the remainder.

Ahead of voting day, the two recently formed opposition coalitions, Frente Amplio por la Democracia (FAD) and Ciudadanos por la Libertad (CxL), had called on the public to abstain from voting in what they described as an electoral farce [WR-16-43]. CSE president Roberto Rivas thus sought to dismiss claims that this strategy had been successful, maintaining that participation (which is non-obligatory) was 68.2%. However, in a 6 November statement, the FAD, which has said it will not recognise the results of what it dubs an “illegal election”, described abstention levels as “unprecedented in Nicaragua’s electoral history” while CxL leader Kitty Monterrey told reporters that abstention exceeded 78%.

In a 7 November statement, the American Chamber of Commerce in Nicaragua also backed up these participation-related doubts (albeit without providing a figure). It stated that “we would have liked better participation in the elections. We lament marked abstention which constitutes a deficient electoral process...”

With the FSLN government having failed to address concerns already flagged up by international observer missions in response to previous elections (*see sidebar*), criticism of the electoral process did not stop with participation levels. A group of local organisations known as ‘Panorama Electoral’ (comprising Grupo Cívico Ética y Transparencia [EyT]; Instituto de Liderazgo de las Segovias; Movimiento de Mujeres Chinandega; and Asociación de Voluntarios para el Desarrollo Comunitario), which sent 650 observers to voting centres around the country, also condemned the process. In a preliminary report presented on 6 November, Panorama Electoral cited as the most serious incidents “intimidation, threats and harassment [with most of] the aggressors identified as FSLN supporters”.

Failure to address previous concerns

In its report on the 2011 elections, the European Union electoral observer mission (EU EOM) raised major concerns regarding the electoral authorities which have yet to be addressed. The EU EOM found the 2011 election constituted “a deterioration in the democratic quality of Nicaraguan electoral processes, due to the lack of transparency and neutrality with which they were administered by the...CSE”. The same report notes “while the CSE is composed along the principle of political representation, the loss of neutrality came about as a result of a progressive abandonment of pluralism in the appointment of its magistrates, who leaned ever more clearly towards the ruling party.”

Public security

A July 2016 report by state-aligned media *el19digital* claims that since the FSLN government returned to power in 2007, Nicaragua's homicide rate has fallen by 22%. The report puts the country's homicide rate at just 8 per 100,000 inhabitants – well below the average for Latin America which it puts at 28.5.

Problems ahead?

While the FSLN's control of state institutions undoubtedly played a part in his re-election, Ortega has remained popular due to various factors. These include his government's grip on security (*see sidebar*). As regards anti-poverty efforts, a June 2016 report by a respected local think-tank, Fideg, registered a decline in general poverty from 44.7% of the population in 2009 to 39.0% in 2015 and in extreme poverty from 9.7% in 2009 to 7.6% in 2015. This has been possible through continued economic growth.

For all of his anti-capitalist rhetoric and association with the radical regional left wing (led by Venezuela), Ortega's economic policy remains pragmatically orthodox. In 2015, Nicaragua posted 4.9% GDP growth – the second highest rate in Central America after Panama (5.8%), according to a July 2016 report by the Economic Commission for Latin America and the Caribbean (Eclac). Meanwhile October 2016 Eclac growth projections forecast 4.5% GDP growth for Nicaragua in both 2016 and 2017, again second only to Panama (5.4%; 5.7%).

However, doubts over cooperation from both the US, Nicaragua's main trading partner, and Venezuela could signal difficulties ahead for the Ortega administration. This together with growing calls for the government's flagship 'Gran Canal' project linking the country's Caribbean and Pacific coasts (Nicaragua's biggest ever infrastructure project) to be scrapped [[WR-16-41](#)].

The US Senate is currently discussing a bill known as the 'Nicaraguan Investment Conditionality Act (NICA) of 2016', which was approved in September by the House of Representatives and would bar the Ortega administration from accessing international financing until reforms are implemented that "promote democracy, strengthen the rule of law, respect human rights, and until Nicaragua holds free, fair and transparent elections overseen by electoral observers" [[WR-16-37](#)].

Given this, a statement by the deputy spokesperson at the US State Department, Mark C Toner, the day after the election, outlining "deep concern" about Nicaragua's electoral process augurs badly for the FSLN government. The US is Nicaragua's largest trading partner (accounting for US\$811m of total US\$2.03bn in exports in the first 10 months of 2016).

As regards Venezuela, which is currently facing a political and economic crisis, the most recent (October 2016) report by Nicaragua's central bank on official foreign cooperation points to the continued slump in cooperation from its traditional ally. While still Nicaragua's leading source of bilateral funding, Venezuelan cooperation in the first half of 2016 reached just US\$172.1m, down from US\$193.3m in the first half of 2015. Meanwhile total cooperation from Venezuela reached US\$372.1m in 2015, down from US\$619.6m in 2014; US\$654.2m in 2013; and US\$728.7m in 2012.

Legislative results

With 99.75% of results for the legislative election in, the FSLN looks to have cemented its control of the 92-member legislature. Having won 62 seats in the previous legislative elections in 2011, the FSLN is projected to have won between 68 and 70 of the 90 directly elected assembly seats.

The remaining two seats go to the runner-up in the presidential race – in this case, the PLC's Maximino Rodríguez – and the president who served the previous term, although as President Ortega won re-election, the seat goes to his current vice president Moisés Omar Halleslevens. Meanwhile, the PLC is projected to have won between nine and 11 assembly seats, and the PLI, between two and three.

Retaliatory measures

In the wake of the WTO ruling, which allowed Panama to adopt retaliatory trade measures against Colombia until it amended its import tariff scheme, Panama introduced temporary tariffs on key Colombian imports such as cut flowers, coal, and cement, which it said would only be lifted once Colombia scrapped its compound import tariff on re-exports. However, on 7 November the 3,000 businesses that operate in the Colón FTZ urged the Panamanian government led by President Juan Carlos Varela to implement newly approved legislation establishing a series of commercial and migratory measures that can be adopted in retaliation to countries that discriminate against Panama.

GUATEMALA | Damaging truckers protest. On 2 November Guatemala's association of exporters (Agexport), a local business lobby, complained that the blockades erected by lorry drivers in some of the country's main customs points had left thousands of goods' containers stranded and produced US\$456m in losses. The blockades were erected on 27 October by the lorry drivers' union (GPTP) and the union of freight-sector workers (Sigpitranspegua) in protest at new traffic restrictions for heavy goods vehicles introduced by the Guatemala City municipal government. The protestors complained that the new restrictions, which extend the hours (rush hour) in which heavy goods vehicles are banned from driving in the national capital, would negatively impact on their business.

Some 20,000 protesters decided to block access to three of the country's largest customs points – Tecún Umán in the south-western department of San Marcos, on the border with Mexico; the main port of Puerto Quetzal, in the southern Escuintla department; and the port of Santo Tomás de Castilla, in the eastern department of Izabal – to force their authorities to repeal the new restrictions. However, the Guatemala City municipal government rejected this on the grounds that the new restrictions approved by the municipal legislative assembly were designed to help alleviate the heavy traffic in the capital.

The impact of the protest was such that President Jimmy Morales was forced to intervene, calling for the two sides to establish a dialogue to find a solution. Morales also condemned the reports of violence and intimidation by the protesting lorry drivers against some of their colleagues that did not adhere to the protest, and ordered the deployment of 1,000 police officers to the blockaded customs points to reinforce security.

Morales's intervention led the Guatemala City municipal government to agree to establish a dialogue with the protesters and on 5 November the protesters agreed to lift their blockades. However, Agexport and the American Chamber of Commerce in Guatemala have complained that the protest action has led to the cancellation of some 15 export orders for Guatemalan goods and affected some 300,000 families whose livelihoods depend on the country's exports. Noting that exports account for 35% of Guatemala's revenue and that a third of all exports pass through Puerto Quetzal, Agexport stated that "the country's economic indicators cannot withstand the paralysis of the economy".

PANAMA | Taking issue with Colombia's new import restrictions. Panama's deputy industry & trade minister, Manuel Grimaldo, said that Colombia's trade, industry & tourism minister, María Claudia Lacouture, would visit Panama on 22 November to discuss the latest import restrictions on re-exports from Free Trade Zones (FTZs) announced by Colombia on 2 November. Grimaldo's announcement came after Panama issued an official statement rejecting Colombia's new import restrictions as being in violation of World Trade Organization (WTO) rules. Colombia was already under pressure to adjust its import tariff schedule after Panama filed a formal complaint with the WTO against the 10% compound import tariff on certain goods re-exported from FTZs (mainly shoes and clothes) that Colombia introduced in 2012 ostensibly to protect its domestic market from the illicit trade of goods and money laundering. A WTO panel agreed with Panama back in June. Colombia accepted the WTO ruling and eliminated its compound import tariff but introduced new non-tariff barriers to re-exports.

But the Panamanian government objects to the new tariffs. In a statement it said that "The modification of Colombia's compound tariff in apparent conformity with the WTO rules, does not abide by the body's resolution...if it is accompanied by new measures that include new requirements, stricter controls, and special customs requirements".

Panama called for Colombia to fully abide by the WTO ruling, threatening to adopt further retaliatory measures otherwise (*see sidebar*). Colombia reacted by denying that the new import restrictions were in breach of any WTO rules and rulings, or discriminatory against Panama, and expressed hopes that it could convince Panama of this. Lacouture's visit represents the first attempt to do this and prevent the issue from turning into a full-blown bilateral trade spat.

Quotes of the week

“Congratulations to @realDonaldTrump We hope to work with you against racism, machismo, anti-immigration sentiment, and the sovereignty of our peoples.”

Bolivia's President Evo Morales tweets the new president-elect of the US.

“The tree of democracy is being attacked by fungi and parasites that penetrate our institutions and...gnaw away at our continent's hard-won fundamental rights.”

Brazil's former president Dilma Rousseff.

“It's disappointing that there is still no fiscal accord. Perhaps it is time that they meet in a room and don't leave until there is white smoke.”

The US ambassador to El Salvador, Jean Manes, on the country's main two political parties.

Chile's ruling coalition gives Bachelet bloody nose

Chile's President Michelle Bachelet urged public-sector employees to return to work on 9 November and end a general strike over salary demands which began on 26 October. The Bachelet administration suffered two significant political setbacks in the space of a few days in the lower chamber of congress where deputies rejected a bill seeking to establish a salary increase for public-sector employees for 2017 at 3.2%. Fifteen public-sector unions have been demanding a 7% salary increase since September.

After failing to reach a deal with the unions, the Bachelet administration opted to send a bill to congress. The senate approved the bill, but deputies from the ruling left-wing Nueva Mayoría coalition objected to being made to do the government's dirty work. The bill was duly shot down by 97 votes to 0 with 12 abstentions. The secretary general of the presidency, Nicolás Eyzaguirre, the labour minister, Ximena Rincón, and the finance minister, Rodrigo Valdés, were all present for the session and beat a hasty retreat after the adverse result. “The government is turning this bill...into a political crisis and we hope it will be capable of rectifying it,” Deputy Fuad Chahín of the centre-left Democracia Cristiana (DC), said, while Deputy Daniel Núñez, of the Partido Comunista de Chile (PCCh), urged “the finance minister not to keep dragging the president into a situation of escalating crisis”.

There was speculation that Valdés, described by the president of the national public employees' union (Anef), Raúl de la Puente, as “tremendously stubborn”, could lose his job as a result of the chastening defeat, one of the heaviest ever sustained by a sitting government. But Valdés came back with a revised plan, including an increase in bonus payments for low income earners which the Nueva Mayoría endorsed. However, when the presidential veto was put to the vote on 8 November, with these revisions, it failed to gain the requisite simple majority support in the lower chamber, with 20 Nueva Mayoría deputies, including all six PCCh deputies, rejecting it.

President Bachelet said her government had presented a “reasonable and responsible” proposal and could do no more in difficult circumstances. The presidents of the constituent parties in the Nueva Mayoría, minus the PCCh, issued a statement rebuking party deputies (especially from the PCCh) for reneging on the agreement with the government and called for “internal reflection”.

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