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## Embattled Bachelet seeks respite as suspicion falls on Piñera

Chile's President Michelle Bachelet tried to take the heat off her beleaguered government this week by questioning the fact, that while serving as president, her predecessor Sebastián Piñera (2010-2014) bought shares in a Peruvian fishing company, Exalmar. Claims of impropriety directed against Piñera are politically significant: although he has not formally declared his hand, he is the leading pre-candidate for election to a second term in office in the 2017 presidential race.

Public-sector employees ended a four-week strike on 17 November after the lower chamber of congress finally approved a bill establishing a salary increase of 3.2% for 2017, beneath the 7% they had initially sought. But it was a pyrrhic victory for President Bachelet, whose ruling left-wing Nueva Mayoría coalition openly rebelled against her government in two previous votes over the bill [[WR-16-44](#)].

Deputies from the radical Partido Comunista de Chile (PCCh) abstained and the party is likely to diverge from the Nueva Mayoría in the months ahead of general elections in November next year. This as the government shows signs of renouncing the "realism without resignation" which Bachelet defiantly promised in July last year for the second half of her mandate; labour and education reforms were diluted, and her promised reform of the Pinochet-era constitution has still not materialised.

The Nueva Mayoría's centre-left Democracia Cristiana (DC) is as disillusioned with the Bachelet administration (due to the lack of strong leadership and consistent policymaking) as the PCCh. As things stand Bachelet looks like becoming increasingly beholden to the right-wing opposition Chile Vamos coalition to push through legislative initiatives, assuming she continues to accept the constraints imposed on her reform agenda by the struggling economy.

It has been speculated that Bachelet only induced disgruntled deputies in the Nueva Mayoría to back the bill by making various concessions, including cabinet changes. The labour minister, Ximena Rincón, was the main casualty. Rincón was replaced directly after the strike was called off by Alejandra Krauss, a DC politician. Natalia Riffo was replaced by Pablo Squella as sports minister and Marcelo Díaz by Paula Narváez as the minister secretary general of the government. It is far from clear, however, that this will satisfy the Nueva Mayoría.

### Piñera on the defensive

It was against this backdrop that Bachelet, keen to divert attention away from her government's difficulties, received the unexpected boon of Piñera's

## Kuczynski

Exalmar, the Peruvian fishing company which found itself propelled into controversy involving Chile's former president Sebastián Piñera last week, also has connections with the incumbent Peruvian president, Pedro Pablo Kuczynski. Kuczynski was a board member at Exalmar, but resigned from the company in December 2015, ahead of taking part in the Peruvian presidential election campaign.

problems. The allegation, first reported by the Chilean daily *El Mostrador*, is that while serving as president, Piñera bought shares in Exalmar between November 2010 and February 2011. In January 2014 the International Court of Justice (ICJ) at The Hague issued an arbitration ruling that favoured Peru in a longstanding dispute with Chile over offshore territorial limits. As a result, Peru's title to a large offshore area rich in fishing resources was upheld. *El Mostrador's* interpretation was that "part of what Chile lost to Peru in that judgement was won back by the former president through his private investment in a Peruvian company".

Piñera, it was suggested, had ignored conflict of interest rules and made a commercial gain at the expense of the national interest. The publication alleges that Exalmar ships were fishing in the disputed offshore area. Piñera, it argued, should at the very least have publicly stated his interest, but never did so.

Piñera angrily rejected the accusations as "tendentious". He said he had put his shareholdings into a blind trust in 2009, operated by Grupo Bancard, a holding company which is owned by himself and members of his family, but which operated autonomously and did not inform him of the investment decisions it was taking on his behalf. The decision to buy shares in Exalmar was one of hundreds of "passive overseas financial investment decisions" taken by Bancard and represented less than 0.5% of the company's total investment portfolio.

Piñera rejected any suggestion that he had acted against the national interest; Bancard said the bulk of shares had been purchased after, not before the ICJ ruling. Exalmar in turn issued a statement saying Bancard was a minority shareholder with a 9.1% stake in the company, and without board-level representation. The controlling shareholder is a Peruvian company, Matta Burotto. Exalmar added "the arbitration ruling by the ICJ had no impact on our fishing operations, since we do not operate in the relevant southern offshore area".

The devil, however, may be in the detail, and Piñera's opponents are closely scrutinising the arrangements involved. Some press reports claim that part of the stake in Exalmar may have been purchased outside of the blind trust. Independent Senator Alejandro Guillier said it was not enough for Piñera to brush the story off as being no more than a politically motivated attempt to embarrass him. Why an active president was investing in another country with which Chile had a border dispute was "difficult to understand" Guillier said, and required greater explanation. Two thirds of respondents to an opinion survey conducted by the national daily *La Tercera* this week concurred, adjudging Piñera's explanations to be "insufficient".

Meanwhile, lawyers for Deputy Hugo Gutiérrez of the PCCh said they were seeking to file a court case on the basis that Piñera had sought to benefit from privileged strategic information about the territorial dispute, which would have been available to him as head of state.

At this early stage Piñera is currently leading the 2017 race. His chances of building support increased as a result of gains made by Chile Vamos in last month's municipal elections. Piñera has been saying he will decide whether to make a second presidential bid by March next year. His immediate response to the claims was to say "the dirty tricks campaign has already begun". Piñera is one of Chile's wealthiest business leaders, with US magazine *Forbes* putting his personal wealth at around US\$2.5bn.

Commenting on the scandal embroiling Piñera, Bachelet said that she had no doubt that her predecessor had "defended the interests of the country" but she argued that the investment should have been in a blind trust to avoid any possible conflict of interest.

**Correa rolls out the red carpet for Xi**

**Xi Jinping has become the first Chinese president to visit Ecuador, with his host President Rafael Correa laying on full state honours for his distinguished guest on 16 and 17 November. Ecuador is now heavily dependent on its partnership with Beijing. China has invested US\$10bn in Ecuador in the past decade, while it is also now the country's main bilateral creditor, to the tune of US\$8bn, on official data. China sees in its productive relationship with Ecuador a model of how its global economic diplomacy should operate.**

Correa met Xi at the airport, with his wife, Anne Malherbe Gosselin, putting in a rare public appearance to host China's First Lady, Peng Liyuan, who accompanied her husband on his tour of Latin America which was centred around the Asia-Pacific Economic Cooperation (Apec) summit in Peru (*see box below*).

In a show of the success of China's cooperation with Ecuador, Correa and Xi simultaneously inaugurated the new Coca Codo Sinclair hydroelectric dam, a US\$2.3bn scheme to which the Export-Import Bank of China (Eximbank) contributed US\$1.7bn, with the construction work led by the Chinese firm Sinohydro; of a 7,700-strong labour force at the dam, some 1,500 were Chinese workers, according to Correa.

The mega dam has a total capacity of 1,500MW, almost a third (30%) of Ecuador's total national electricity consumption. Correa boasted that once Coca Codo Sinclair is up and running, Ecuador will save some US\$600m a year and will soon generate 90% of its power from clean energy – namely hydroelectricity.

Of the US\$10bn invested since 2007, China has helped to build six other hydroelectric dams in Ecuador, as well as a network of highways and other national infrastructure. As per its main strategic interest in Latin America, China has also invested in Ecuador's key oil and gas sector, and is a stakeholder in the nascent mining sector.

There are some questions over Ecuador's oil deals with China, with a lack of transparency over the accounting by the Ecuadorean treasury of "pre-sales" of oil to China, for example. Under this arrangement, Ecuador receives cash in advance for future oil shipments. It has not revealed the price per barrel upon which this deal was agreed. The treasury does not classify the cash in advance on its books as debt, and so it is wholly unclear exactly how much Ecuador might actually owe China – in pre-committed oil sales – for this arrangement.

The fear is that a steadily increasing proportion of Ecuador's oil output will have to be 'put aside' for dispatch to China in payment for these upfront loans. In effect, Ecuador has an IOU with China and no-one outside government appears quite sure how much it is worth. So while official bilateral debt with China is put at US\$8bn, the true figure will be higher than that.

The Correa government has effectively used this Chinese lending to sustain its expansive fiscal stance since 2007. As in Venezuela, expansive budgets were fine when oil prices were high. The fiscal situation now is a lot trickier. Unlike in Venezuela, however, China appears comfortable in seeing Ecuador through this cyclical low. And for the most part, the Correa government appears to manage its affairs rather better than in Venezuela.

**Yachay**

China is also a key investor in President Correa's brainchild, the Yachay City of Knowledge in the province of Imbabura. A US\$1bn technology and university park, Yachay is located 90 minutes from Quito, and Correa envisions it as "the Singapore of the Andes".

## Post-earthquake reconstruction

President Xi Jinping said that Beijing would donate US\$150m to Ecuador to build two hospitals and 400 homes in the northern coastal region of Manabí, hit by a strong earthquake in April. Chinese aid to Ecuador immediately after the earthquake was some US\$9m, President Correa noted, more than any other single donor.

For his part, Xi used his visit to declare that China was upgrading its strategic relationship with Ecuador to that of a 'comprehensive strategic partnership'. This will imply more intense cooperation in areas including science and technology, communications, education and sports (*see page 3 sidebar*).

Finally, Xi highlighted the "mutual confidence" in bilateral political, economic cooperation and commercial relations, growing cultural exchanges, and the "harmony" between the two countries on international issues. Correa declared that China had "transformed Ecuador". "Ecuador and China are separated by a great geographic distance, 16,000km, but united by strong ties of friendship and cooperation," he purred.

### Sixto Durán Ballén steps into history

Ecuador's former president Sixto Durán Ballén (1992-1996) passed away peacefully at his home in Quito during his afternoon siesta on 15 November, aged 95, his family announced. Born in Boston in 1921 to diplomat parents, Durán Ballén, a qualified architect, had also served in public office as minister of public works and mayor of the capital (1970-1978), where he oversaw major infrastructure projects including airports, hospitals and roads, as well as stints as a national deputy, senator and adviser to the Inter-American Development Bank and the World Bank, among other posts.

Politically conservative, Durán Ballén helped to establish and lead the centre-right Partido Social Cristiano (PSC), but he quit the party in 1991 for the more right-wing Unión Republicana.

Durán Ballén may be remembered best, however, for rallying Ecuador in its last territorial conflict with neighbouring Peru (the brief Alto Cenepa war of January-February 1995), with his rallying cry, 'Ni un paso atrás' ('not another step backwards'). (On some accounts this was a slogan he had previously used in his 1992 election campaign, when he ran on a modernising, reformist platform.) Despite mixed popular support Durán Ballén left office in August 1996 to broad public approval of his wartime leadership and diplomacy. He was succeeded by Abdalá Bucaram, famously nicknamed 'El Loco', who was removed by congress six months later for mental incapacity.

Late in his career, Durán Ballén also served as ambassador to the UK (2001-2003). He is survived by his wife, Josephine, and eight children. President Rafael Correa declared three days of mourning, calling Durán Ballén, "without doubt a good man".

### Kuczynski leads regional support for free trade at Apec summit

"We have to send a strong message," said Peru's President Pedro Pablo Kuczynski, the host of the Apec summit in Lima on 19 and 20 November. "The 21 Apec nations must send an unequivocal message to the world that trade continues to be beneficial for global growth. If the US does not want the TPP [Trans-Pacific Partnership] we are going to seek an Asia-Pacific accord without the US that includes China and also Russia."

Kuczynski's positive message was a direct response to the victory of Donald Trump in the US presidential elections; Trump duly announced shortly afterwards his intention to withdraw the US from the TPP agreement. But Kuczynski, a fervent advocate of free trade, had clearly decided that China was the key trade relationship for Peru, part of the outward-looking four-nation Pacific Alliance with Mexico, Chile and Colombia, even before Trump's triumph. Kuczynski's first port of call upon taking office in July was China, which he visited for five days in a bid to boost trade and attract investment.

Despite a downbeat reaction to Trump's announcement (Japan's Prime Minister Shinzo Abe said the TPP would be "meaningless" without the US), China's President Xi Jinping was receptive to Kuczynski's call. China, more than happy to replace the US, is keen to seal a free trade deal for the Pacific Rim, a Regional Comprehensive Economic Partnership (RCEP) area, as an alternative to the TPP.

## Paramilitary violence

Aída Avella, the leader of the radical left-wing Unión Patriótica (UP) whose members were decimated by paramilitaries after being formed by the Farc as part of peace negotiations in the 1980s, accused Humberto Sánchez, the mayor of San Vicente del Caguán, who belongs to Alvaro Uribe's Centro Democrático (CD) and is a fierce critic of the peace accord, of being behind the "massacre of campesinos" in the municipality. Erley Monroy and Didier Losada Barreto, campesino leaders, were murdered on 18 November in San Vicente del Caguán, while another social leader, Hugo Cuellar, was seriously injured after attending the former's funeral.

## Santos moves ahead without support of 'no' camp

As we go to press President Juan Manuel Santos and the maximum leader of the Fuerzas Armadas Revolucionarias de Colombia (Farc), 'Timochenko' (Rodrigo Londoño Echeverri) are signing a revised peace accord in the Teatro Colón de Bogotá. There will be none of the pomp and ceremony which surrounded the signing of the first peace accord in Cartagena de Indias on 26 September, which was subsequently rejected in a national referendum six days later. This is because despite the government's negotiating team extracting some compromises from the Farc, these were not sufficient for the politicians who led the 'no' campaign, spearheaded by former president Alvaro Uribe (2002-2010), to throw their weight behind the revised accord.

Government negotiators and leaders of the 'no' camp met for seven hours of talks on 21 November. President Santos had been hopeful that those opposed to the original peace accord would be satisfied by the concessions which his negotiators obtained after intense talks with their Farc counterparts in Cuba around the myriad proposals presented by Uribe et al. This would have enabled Santos to make a great show of national political unity behind the peace accord. Instead, the 'no' camp argued that the revisions were still insufficient, despite acknowledging some advances, and stressed that the government's negotiators should push for more concessions from the Farc.

Uribe said that his right-wing Centro Democrático (CD) could not support a peace accord which retained "narco-trafficking as a political crime and the eligibility [for elected posts] of Farc members serving sentences" among other things. "The government has told us that these issues cannot be revised but without these reforms the accord merely tweaks the one which was rejected by the public," Uribe said. Uribe suggested a meeting with 'Timochenko' but neither the government nor the Farc looked kindly upon the suggestion.

Uribe's response was not well-received by the head of the negotiating team, Humberto de la Calle, who said he had taken an inordinate amount of time (eights days) to respond to the revisions contained in the peace accord. "It is time to move forward," De la Calle said, citing a concerning recent paramilitary resurgence and the killing of two guerrillas by the military as a sign of "the fragility of the ceasefire and worsening violence". He added: "Colombians cannot keep living in uncertainty".

Three people representing the leftist political and social movement Marcha Patriótica were killed over the weekend, and a further two were attacked in different areas of the country. A crude pamphlet signed by the paramilitary Autodefensas Unidas de Colombia (AUC), which was officially disbanded in 2006, claimed responsibility for the attacks.

It was against this backdrop that Uribe called on the government to hold another referendum rather than take the easy option of sending the peace accord to congress, where it has a guaranteed majority. The government, however, argues that the violence is a major threat to peace and that it cannot afford to delay the implementation of the peace accord by staging another referendum. Instead Santos announced that it would try to fast-track the peace accord through congress. The 'no' camp insists that this would de-legitimise the accord but Santos maintained that "After hearing all of the proposals and alternatives, and in common with the Farc, it is clear that the most convenient and legitimate way to approve this new accord is through congress". He claimed that a new referendum campaign would "dangerously polarise the country".

## Mediators scramble as dialogue stalls

Early on 23 November, the opposition governor of Miranda state, Henrique Capriles Radonski, tweeted that the government led by President Nicolás Maduro had “abandoned” the new Vatican-mediated political dialogue in the country. The ostensible reason, Capriles said, was anger at the decision by the national assembly, controlled by the opposition Mesa de la Unidad Democrática (MUD) coalition, to debate the case of the narco-sobrinos, in reference to the conviction in New York on 18 November of two nephews of the First Lady Cilia Flores for conspiring to traffic 800kg of cocaine into the US.

The secretary general of the MUD, Jesús ‘Chúo’ Torrealba, told journalists that “the government, in an irresponsible manner, froze the dialogue process by not showing up to two technical meetings” scheduled for the evening of 22 November. Earlier that day, the assembly had debated the narco-sobrinos case. “The government is using the debate as an excuse”, Capriles told journalists.

According to Capriles, the real reason for the government’s move was that it simply did not want to meet the initial agreements hammered out between the two sides. Announced on 11 November, these included efforts to ensure the supply of food and basic goods to Venezuela, including the opening of a ‘humanitarian corridor’ for the delivery of donations from abroad, the release of political detainees, a process to secure the removal by the supreme court of a contempt order hanging over the national assembly, and joint selection of two new magistrates for the national electoral court. “Maduro quit the ‘supposed’ dialogue table. He never followed through, it was evident to the whole world, and he even mocked the Pope,” Capriles tweeted.

Noting that over 100 political prisoners had still not been freed and a humanitarian corridor not been opened, Capriles continued: “The government prevents the arrival of boats and planes with food and medicine, but it allows planes with drugs to leave from the presidential hangar,” a reference to the allegation by US prosecutors that the narco-sobrinos had taken full advantage of their political connections to run their illicit business. In a subsequent press conference, Capriles declared that the future of the talks would depend on the government. Moreover, the talks could not be subject to official ‘blackmail’, he added.

The Colombian outlet *Caracol Radio* had a slightly different take on matters. It cited officials from the ruling Partido Socialista Unido de Venezuela (PSUV) as insisting that while the 22 November working table meetings had been suspended, this was not in protest at the MUD’s assembly debate about the narco-sobrinos, but rather at its inaction under the accords. The PSUV sources complained about the MUD’s refusal to ‘formally’ remove from the national assembly three opposition deputies whose election has been questioned, and its failure to abide by a supreme court ruling annulling a political trial of President Maduro.

The MUD bench *has* in fact had the three deputies stand down, and it suspended the (largely symbolic) political trial after the court ruled it to be unconstitutional. However, the supreme court has now called on the assembly to formalise the removal of the three deputies.

Following Capriles’ remarks, the three former presidents acting as mediators on behalf of the Union of South American Nations (Unasur), which along with the Vatican is supporting the dialogue effort, held meetings with the

### Maduro’s birthday

President Nicolás Maduro turned 54 on 23 November. On Twitter, Henrique Capriles joked that he would gift Maduro a one-way ticket out of the country, “that he never comes back”.

**Narco-sobrinos**  
Henrique Capriles is now in trouble with Venezuelan authorities for 'falsifying documents', after he tweeted an image of two diplomatic passports, alleging that the narco-sobrinos had used them to avoid official checks while they moved around the region. Capriles claimed the images were from the US investigation file into the pair.

MUD and government officials. The Under Secretary of State for Political Affairs at the US State Department, Tom Shannon, was also on the ground in Caracas; it was unclear whether this was a scheduled visit.

The lead Unasur mediator, the former prime minister of Spain, José Luis Rodríguez Zapatero (2004-2011), met Maduro at the Miraflores presidential palace for two hours, reportedly along with Foreign Minister Delcy Rodríguez and her brother and senior PSUV official, Jorge Rodríguez (also a Caracas municipal mayor). Maduro later declared the meeting "profound and positive" and said that the dialogue "continues to advance and make progress". He noted that he had "expressed concern" to Rodríguez Zapatero that the MUD would break the accords signed to date.

It is hard to know whether this latest incident amounts to another move by the government to delay and drag its feet, or whether it is a tacit effort by the MUD to 'get out' of the failing talks with what is left of its tattered political reputation, amid severe internal tensions within the coalition between moderates and increasingly agitated radicals. What is clear is that both sides continue to behave provocatively, with brinkmanship, mutual recrimination and hostile acts ongoing, in clear contravention of the Church's call for calm.

For its part, the Church has signalled some concern about the talks. Monsignor Diego Padrón, president of Venezuela's Episcopal Conference (CEV), told the Venezuelan media outlet *Globovisión* in an interview recorded in Rome on 11 November that the country's Catholic hierarchy, which has long had strained relations with the PSUV, was unhappy with the lack of progress.

Padrón called on the Maduro government to meet its end of the bargain and suggested that its attitude was unhelpful. "The way in which the government manifests its presence at the table gives the negative impression that it controls everything, and that it doesn't recognise the efforts of the representative of Pope Francis," he noted.

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## TRACKING TRENDS

**BOLIVIA | Renewable energy generation projects.** On 22 November Bolivia's hydrocarbons & energy minister, Luis Sánchez, announced that three new wind farms will be constructed in the municipalities of El Dorado, Warnes, and San Julián, in the country's eastern department of Santa Cruz. The three sites will have a production capacity of 93MW.

The overall cost of the projects will be US\$192.8m, and will be partly financed by contributions and investment from Denmark. The Danish government will donate US\$15.8m to the projects, whilst its Danida Business Finance (DBF), a branch of its international development agency, will provide US\$113.3m in financing. The remaining US\$63.6m, will be covered by Bolivia's national energy company, Empresa Nacional de Electricidad Bolivia (Ende), according to Sánchez. The Danish international engineering consultants PEM Consult will oversee the projects.

The site at Warnes will have a generation capacity of 21MW, whilst the other two sites will each have 36MW in generation capacity. The total amount of energy that they will generate for the country is equivalent to 5% of that generated by the energy production infrastructure constructed in 2015, and would cover 4% of Bolivia's energy output for the same year.

According to Sánchez, the project will reduce the amount of carbon dioxide released into the atmosphere by 142,500 tonnes (t). Sánchez added that this was part of the government's plans to incorporate renewable sources to its energy matrix, which is considered to be crucial to meet Bolivia's future energy needs, as well as combat climate change. Since 2005 Bolivia's renewable energy output has gone from zero to 545MW.

## The rise and fall of Rio de Janeiro

This week, federal prosecutors have come closer to discovering how state governors burnt a R\$17bn (US\$5.01bn) hole in Rio de Janeiro's public finances. Over the past decade, Rio de Janeiro has seen its fortunes reversed. Its heyday of lavish spending from the commodities boom is firmly over and the city remains entrenched in the depths of recession. Last week, hundreds of protestors gathered outside the state legislative assembly, known as Alerj, to campaign against pending austerity measures on a daily basis. Many are struggling with the effects of inflation and unemployment and bemoan the lack of state support. Close by, a 27-story concrete block, which houses the state-run oil company Petrobras, is a poignant reminder of the oil money the city used to possess. These days, however, Petrobras too is struggling to hold on to its workers and is still US\$11bn in debt.

Though external factors such as falling commodities prices and unfavourable exchange rates partially explain Rio de Janeiro's financial crisis, an investigation launched by federal prosecutors found the most corrosive force eating away at Rio de Janeiro's public finances was in fact corruption.

Over the past week, information revealed by the widening anti-corruption investigation 'Operation Car Wash' found a "cartel" of state government employees had charged kickbacks on a series of public works in Rio de Janeiro including improvements to the iconic Maracanã stadium (which cost US\$1.14bn), in the run-up to the 2014 Fifa World Cup.

In total, governors embezzled over R\$220m (US\$65m) from construction projects. This total accounts for a significant chunk of Rio's public debt, which has been negotiated down to R\$170m (US\$50m) following a government bailout. In a public statement, federal prosecutor Sérgio Moro said the contrast between the "ruinous public finances in Rio de Janeiro" and the money siphoned off by corrupt officials made investigations carried out by federal prosecutors "even more necessary."

At the heart of the corruption scandal was the former governor of Rio de Janeiro Sérgio Cabral Filho (2007-2014), who allegedly took a 5% cut on various public contracts. Cabral's former secretary of state, Hudson Braga, was also involved and allegedly took a 1% commission on public-private contracts, which has been dubbed by local media as "the oxygen tax". Both were placed under preventative detention on 17 November along with seven others who are suspected of participating in the bid-rigging scheme.

### One man down; another makes a comeback

From a political point of view, Cabral's arrest is highly inconvenient for two of Brazil's major parties. Cabral is a member of both the ruling right-of-centre Partido do Movimento Democrático Brasileiro (PMDB) and also has historical ties with leaders of the leftist Partido dos Trabalhadores (PT). In the wake of the corruption scandal, both parties have been quick to distance themselves from the disgraced former governor.

Controversially, the PMDB spokesperson chosen to defend the PMDB's reputation against corruption was Romero Jucá, who left his government position in May when he was accused of conspiring to obstruct the progress of an anti-corruption probe. Jucá was reinstated by President Michel Temer as leader of the PMDB in the federal senate on the day of Cabral's arrest. In an interview

### Spanish police aid 'Car Wash' investigation

On 22 November, police in Madrid captured a key witness named in the anti-corruption investigation 'Operation Car Wash'. The detainee, known by the initials 'RTD' is suspected of playing a key role in the kickback scheme between the state-run oil company Petrobras, politicians and businessmen. RTD, formerly an in-house lawyer who worked for construction company Odebrecht, allegedly diverted over R\$50m (US\$14.7m) from Petrobras to various political parties. The suspect has been at large since April and travelled to the US before he reached Spain. His arrest was the product of a joint investigation between Spanish police, the Guardia Civil, and Interpol.



## Indigenous groups unite against austerity

On 23 November, over 400 indigenous protesters from various tribes rallied in Brasília to campaign against President Temer's upcoming austerity bill. They also protested against the perceived lack of democracy in Brazil and a controversial law pending in the federal congress which seeks to change the demarcation of indigenous land. At the peak of the protests, some campaigners, several of whom were armed with bows and arrows, tried to storm the chamber of deputies. Police used tear gas to bar their entry and disperse the crowd. According to a statement issued by the Fundação Nacional do Índio (Funai), the use of tear gas was "excessive," forcing several children who attended the protests to seek medical aid.

with local newspaper *GI*, Jucá said the allegations against Cabral would "not affect the party" and asked that the public respect his "right to defence."

### Don't cry for me, Cabral

Cabral's arrest evoked a more effusive reaction from the PT, with some party members threatening to disown him entirely. On 17 November, former president Dilma Rousseff (2011-2016) said the PT was "never" an ally of Cabral in a tweet which has since been deleted.

However, the allegiances between PT leaders and PMDB candidate Cabral during Rio de Janeiro's heady days have been well-documented by local media. Wind back to 2010, just a year after Brazil won its bid to host the 2016 Summer Olympic Games when the mood in Rio de Janeiro was one of buoyant optimism. A video recently republished by columnist Augusto Nunes in the weekly current affairs magazine *Veja* shows former president Lula da Silva (2003-2011) fervently backing Cabral's 2010 bid for re-election as governor. "It's so good to care for poor people," says Lula. "And I believe Sérgio is doing that with a lot of tenderness." He goes on to reaffirm his faith in Cabral's generosity and dedication to public service. "Sérgio may seem harsh but he's pure emotion. I've seen him speaking about the people of Rio de Janeiro many times with a tear in his eye," Lula continued. Cabral stormed to victory winning 66% of the vote.

Fast-forward to 2016 and the allegations against Cabral have undermined both his own and Lula's credibility. Besides making a personal profit from construction works, Cabral is accused of skimming US\$1bn from a social project which purported to improve infrastructure in four of Brazil's favelas, known as the Programa de Aceleração do Crescimento (PAC). Meanwhile, Lula is facing trial for three separate counts of corruption, though he pleads innocence.

### Temer presses ahead with austerity reforms

President Michel Temer is striving to save Brazil from bankruptcy, he maintains, with a series of neo-liberal economic reforms. Speaking at an economics and politics forum held in the city of São Paulo on 21 November, Temer warned that public-sector debt could spiral out of control and become the same as GDP by 2024 unless Brazil adheres to austerity measures.

To regain control of public finances, Temer has sent two austerity bills to the federal congress, one to cap spending for the next 20 years and the other to slash pensions. "We are going to replace illusion with clarity," the former culture minister Marcelo Calero said. Calero was replaced by Roberto Freire on 19 November after he fell out with Temer's chief of staff, Geddel Vieira Lima, for allegedly pressuring him to approve a construction project in an area of cultural heritage in Bahia.

In addition to imposing austerity on the federal government, Temer has made it clear that indebted states, including Rio de Janeiro, must also curb their fiscal spending. On 22 November, Temer released around R\$5bn (US\$1.48bn) in federal funds to indebted states and municipal governments on the condition that they agreed to make budget cuts. The bailout will be partially funded using the profits from an offshore tax amnesty which was enacted earlier this year.

Rio de Janeiro Governor Fernando Pezão claimed that the R\$5bn to be divided between Brazil's 27 states was not nearly enough and would do little to help Rio balance its books. In response, the government has stressed that the finances are intended to help put finances in order and not be a handout.

To raise much-needed funds, Pezão said he was discussing other proposals to shore up state finances with the federal finance minister, Henrique Meirelles, such as diverting the assets from oil companies back to the state. Other indebted states, such as Rio Grande do Sul, which joined Rio in declaring a state of fiscal public calamity on 22 November, will be watching these negotiations very closely.

## Enduring public support

According to a series of opinion polls released since the start of November, despite the contraction in domestic economic activity and growing social discontent, the overall support for the government remains solid with 40%-50% approval ratings. This is lower than the peak 70% approval rating reached in March but close to the 50% approval rating that the government had in January at the start of its term. The consensus among pollsters is that the government's approval has remained relatively high as there is still confidence that the domestic economic situation will improve under President Macri, but that the government's challenge now is to start meeting these expectations.

## Macri forced on the defensive

**"We have taken decisions with courage and speed to address the many problems ailing the national economy."** This is how President Mauricio Macri defended his government's economic policies on the day marking a year since he won election. While the Macri administration did not waste any time in implementing a major 'economic adjustment' designed to address the macroeconomic imbalances left by the leftist Frente para Victoria (FPV, Kirchneristas) administrations (2003-2015), many have criticised the adjustment for being too severe, resulting in stagnant domestic economic growth, the erosion of workers' salaries, and the loss of jobs. But the government insists that these negative effects are only temporary and that its policies will produce economic prosperity in the medium term.

President Macri's defence of his government came during a speech he delivered to the XX Conferencia Industrial Argentina business forum held in Buenos Aires on 22 November. Noting that only a year ago he was celebrating his election, Macri said that since then his administration has moved quickly to tackle the country's "infinite" economic problems left by 12 years of Kirchnerismo. "We found a broken country, not only in default, but without energy, with an enormous fiscal deficit, one of the highest tax burdens in the region, with debts everywhere," Macri said. However, Macri pointed out that thanks to the tough but necessary economic measures adopted since he took office in December 2015, his government had succeeded in "preventing the fifth major [economic] crisis of the last 50 years".

Macri said that solving all of Argentina's economic problems would take "years" but that the adjustment implemented by his government had put the country on the right track by allowing it to return to international financial markets, re-establish a free-floating exchange rate, reduce unsustainable energy tariff subsidies, and remove a series of import/export restrictions. He argued that all of this sets the foundations to make investing in the domestic economy more attractive; and although he recognised that this has been a "tough" year for Argentine industry, he urged entrepreneurs and industrialists to have confidence and invest to help kick-start the economy. Macri also said that as part of its efforts to fix the economy, his government would strive to reduce the fiscal deficit while increasing social spending to help improve the quality of life of all Argentines.

Indeed, Macri said that the 2017 draft national budget, which is currently being debated by the federal congress, contemplates the "the highest level of social spending in our history". Yet the problem for Macri administration is that while it has succeeded in tempering inflation in the second half of the year as it promised to do, it has not been able to fulfil its key objective of boosting economic activity (which contracted by 2.6% in August, on the latest available figures). And the resulting loss of jobs and falling purchasing power has led to the local trade union movement and civil-society organisations losing patience and starting to stage strikes and public demonstrations (the latest coming on 18 November) against the economic adjustment and in demand of more protection for workers and the poor.

This discontent has in turn allowed the FPV and the rest of the political opposition to seek to regain the political initiative by presenting bills in congress designed to address the economic concerns. These include a 'social emergency bill', which seeks to increase the level of state benefits paid to the unemployed and low-income workers; and the introduction of changes to income tax legislation, designed to ease the tax burden on workers. The government is opposed to these initiatives, complaining that they would affect its plans to reduce the fiscal deficit and divert attention from other pressing matters such as the approval of the budget, which could derail an economic recovery next year.

**Guerrero violence puts spotlight on poppy trade**

Security forces are increasing patrols after a surge of violence in the troubled southern state of Guerrero. At least 26 people were murdered and 10 kidnapped over the long weekend (Monday was a public holiday in Mexico). The governor of Guerrero, Héctor Astudillo, attributed the violence to bitter turf wars between local criminal gangs competing for control of the opium poppy trade. Astudillo has been a vocal advocate of legalising opium poppy cultivation for medicinal purposes, which he argues would reduce drug-related violence by severing the dependence of farmers on criminal groups who buy their poppy harvest to produce heroin, as the Mexican state could buy their harvest instead in order to produce painkillers, such as morphine and codeine.

Ten people were shot dead in the tourist resort of Acapulco, formerly known as the 'Pearl of the Pacific', including two marines, in a series of separate incidents over the long weekend. Astudillo has sought to restore security to the city in a bid to attract tourists back, for instance by deploying the security forces to patrol the beaches in the resort city, but this has failed to make a tangible difference. Indeed, the presence of heavily armed security forces has visibly reinforced in the mind of tourists the security threat.

On 18 November at least 10 people were reported kidnapped by an armed group in San Jerónimo, in the municipality of Ajuchitlán del Progreso located in the violence-riven region of Tierra Caliente, three of whom have since been recovered. Separately, a joint army and police patrol discovered a rural camp in Zitlala, near the town of Chilapa, on 21 November after receiving a tip-off that people were being held there. They found one kidnap victim in addition to seven bodies buried in shallow graves, as well as various body parts in a freezer.

On the same day as the joint patrol made this grisly discovery in Zitlala, eight dismembered bodies were found stuffed into bags in the municipality of Tixtla. Two of these bodies have been identified as nephews of the leader of the Cartel del Sur criminal group.

**Turf war**

Astudillo said that the "very regrettable violence with atrocious, barbaric incidents [was] without doubt the result of existing confrontations", namely turf wars between criminal gangs such as Familia Michoacana, Los Ardillos and Los Rojos for control of the local opium poppy production and distribution trade, which has led to scores of murders and disappearances. Some 3,750 members of the federal security forces were deployed to Chilapa last January in order to try and reduce the violence between the rival criminal groups but they have so far met with minimal success.

Astudillo described the high number of murders over the long weekend as "the most serious crisis in the last 12 months" following "several months without this happening in the space of two or three days", but it is far from an anomaly. Over a long weekend in early August, 24 people were killed over 72 hours in Guerrero, 11 of them in Acapulco [[WR-16-30](#)].

In the first 10 months of 2016 there have been 1,832 reported homicides in Guerrero. If the current level of violence continues for the remaining two

**Acapulco violence**

While Guerrero has become Mexico's most violent state, the tourist resort of Acapulco is the fourth most violent city in the world after Caracas (Venezuela); San Pedro Sula (Honduras); and San Salvador (El Salvador). The murder rate in Acapulco has reached 104.62 per 100,000 inhabitants.

## Opium poppy production

Guerrero accounts for some 60% of Mexico's opium poppy production, fuelling bloody turf wars between rival criminal gangs, such as Los Rojos and Los Ardillos, vying for control of the growing trade in the poverty-stricken state. Experts have been unable to identify the precise nature of the nexus between these criminal gangs and Mexico's large drug trafficking organisations (DTOs), although links clearly exist.

months of the year the homicide rate for 2016 would be around 60 per 100,000 inhabitants, which would rival the peak year of violence in the state (68 per 100,000) back in 2012.

Astudillo, like President Enrique Peña Nieto a member of the Partido Revolucionario Institucional (PRI), has argued that legalising the production of opium poppies would reduce drug-related violence in Guerrero and has suggested that a pilot scheme be tried to assess its potential. Various state governors have supported the proposal but the federal government has so far remained unmoved.

### 'New plan' unveiled

A spokesman for the Grupo Coordinación Guerrero, which comprises the army, the marines, the attorney general's office (PGR), the federal police and the state police, announced "a new plan" against organised crime on 21 November. This does not seem to differ dramatically from previous plans. They agreed to increase joint patrols and to reinforce security in Arcelia, Teloloapan, Ajuchitlán, Tixtla and Chilapa, the first three of which are located in the Tierra Caliente region.

For his part Astudillo argued that in order to tackle the high levels of violence in Guerrero "better intelligence and better technology" is needed. While some of the kidnappings involve rival gang members, however, others are for profit. Astudillo said that many were "small kidnappings [seeking ransoms] of between M\$10,000 and M\$20,000 (US\$485-US\$970)". The Grupo Coordinación Guerrero has agreed to target a criminal gang called Los Tequileros, which is known to specialise in mass kidnappings.

### Mexican general convicted

A Mexican army general was sentenced to 15 years in prison this week for offering to organise a meeting between members of the Sinaloa/Pacifico drug trafficking organisation (DTO) led by Joaquín 'El Chapo' Guzmán Loera and the former head of the national defence ministry (Sedena), Guillermo Galván, during the government led by former president Felipe Calderón (2006-2012). The meeting never actually took place but a federal judge ruled that there were sufficient elements to process Brigadier General Juan Manuel Barragán for "a crime against health and public security".

The sentencing of Barragán came in the same week that one decade passed since the Calderón administration first deployed the military on the streets to combat narco-trafficking. Despite a campaign promise by Enrique Peña Nieto in 2012 to take the military off the streets this has not happened and his government remains as reliant as ever on the armed forces to preserve public security.

Barragán becomes only the second general ever to be convicted by the federal judiciary. Back in 2000 Division General Jesús Gutiérrez Rebollo was sentenced to 40 years in jail accused of multiple crimes, including involvement in organised crime; Gutiérrez received bribes from the Cártel de Juárez and its leader Amado Carrillo to turn a blind eye to the illegal activities being carried out by the DTO.

Barragán was 'hired' by the Sinaloa/Pacifico DTO to offer Galván a US\$140m bribe to stop operations against Guzmán in the 'Golden Triangle' drug production region, which takes in parts of the states of Durango, Sinaloa and Chihuahua.

Barragán had asked for an advance of US\$10m and two gold watches in order to meet Galván's representatives and the then attorney general and to offer the bribe. When the meeting failed to take place, two members of the DTO visited Barragán, recording their subsequent discussions and sending the audio on to the authorities.

Barragán, who was also sentenced to 16 years in prison by military justice last February, is currently being held in the 'Altiplano' maximum security prison in the Estado de México (Edomex) where Guzmán was imprisoned before being transferred to a jail in Ciudad Juárez in May.

**Weaker peso**

The IMF report suggested that a weaker peso would be “indispensable to restore equilibrium in response to a permanent shock arising from increased protectionism and barriers to trade”. It warned against a further increase in the benchmark interest rate: “A pause in monetary policy tightening appears warranted in the near term, given the moderation in economic activity, absence of second-round effects from the depreciation, and limited wage pressures.”

**MEXICO | Gloomy IMF report.** The International Monetary Fund (IMF) released a new report on Mexico on 22 November in which it downgraded its economic growth forecasts for the Mexican economy. For this year, the IMF has revised its forecast down from the 2.5% projected in July to 2.1%; and for 2017 from 2.6% to 2.2%.

The IMF justified its revisions on the numerous external threats faced by the Mexican economy, but notably on the potential for a seismic shift in the country’s economic relationship with the US in the wake of Republican candidate Donald Trump’s victory in the US presidential elections on 8 November.

Trump has repeatedly criticised the North American Free Trade Agreement (Nafta), which he feels has benefited the likes of Mexico but harmed US industry and led to job losses as producers move their operations to Mexico to exploit the comparatively lower production costs and then export goods back to the US. Consequently, Trump has threatened to suspend the Nafta agreement and to slap a 35% tariff on Mexican imports as soon as he assumes office in January 2017 to force a renegotiation of Nafta’s terms.

Dora Iakova, the head of the IMF’s mission in Mexico, has also highlighted the imminent rise in US interest rates as well as the fall in the price and production of oil in Mexico as further reasons for the more pessimistic outlook for Mexico’s economy.

However, the IMF report also praised the resilience of the Mexican economy, noting that it has “successfully navigated” troublesome international conditions so far. The report noted that Mexico’s banking system coped well with recent stress tests, and that Mexico currently has external shock absorbers in the form of over US\$170bn in international reserves and a new US\$86bn credit line with the IMF.

The report also noted that employment rates are relatively low; that wages are rising; and that the fiscal deficit is falling in line with the government’s aim of reducing it to 2.5% of GDP by 2018, a target which it is still on course to achieve.

The report called on Mexico’s economic authorities to remain vigilant, however, about potential external shocks and to continue to adopt measures to hedge against these. In particular, the report warned that Mexico still does not have a plan in place to deal with a banking crisis.

The report also contains a number of recommendations to help ensure macroeconomic stability. Praising the structural economic reforms pursued by the government led by President Enrique Peña Nieto, the report urged it to continue implementing these to increase the country’s medium-term economic growth potential.

In this context, the IMF stressed the need for the implementation of a national anti-corruption system to help combat this endemic problem, as well as improved implementation of anti-money laundering legislation.

Another important recommendation contained within the report is to raise pension contributions in order to avoid problems with social spending in the long-term.

The IMF also issued a warning against further increases in the country’s benchmark interest rate. This year Mexico’s central bank (Banxico) has raised its benchmark interest rate four times. The current rate is presently standing at 5.25%.

However, in its report the IMF urged Mexico to consider any further rises carefully. The IMF stated that the pressure on consumer prices in Mexico due to a weaker peso/US dollar exchange had not yet materialised and so for the time being, interest rates should remain where they are (see sidebar).

Mexico’s finance minister, José Antonio Meade Kuribreña, described the report as “important” and stated that the government would consider its recommendations; and that its 2017 draft national budget could incorporate some of the recommendations.

**Elections hailed as improvement****Turnout**

While voting day itself was hailed as an improvement, concerns persist regarding voter participation which, on official figures from the provisional electoral council (CEP), was a low 26.6% in the October 2015 vote. The statement by the electoral mission of the Organization of American States (OAS/EOM) notes that “although voting in Haiti is not mandatory, the Mission expresses its concern for what appears to be a low turnout in yesterday’s election”, albeit without providing a figure. The Coalition d’observation elettorale put turnout at 21.69%, while the Observatoire Citoyen pour l’Institutionnalisation de la Démocratie (Ocid) put it at 23.3%.

The Haitian government, provisional electoral council (CEP), local civil-society groups and the international community are all hailing the delayed presidential and legislative elections which took place on 20 November as a success of sorts. The election results are unlikely to be available within the week and turnout for the vote, in which 6.2m people were registered to take part, was reportedly “low”. Yet the fact that the credibility of the process appears an improvement is a step forward. The vote was the latest attempt to stage the elections originally scheduled for last year, after the devastation wreaked by Hurricane ‘Matthew’ on 4 October led the CEP to postpone plans to restage the 9 October presidential election [WR-16-40]. This in turn came after the CEP cancelled the 25 October 2015 first-round vote results amid widespread fraud allegations, leaving the country with an interim government led by Jocelerme Privert since February.

As well as CEP president Léopold Berlangier, local civil-society groups deemed the electoral process – in which 27 presidential candidates were in the running – “acceptable”. Voting day has also been endorsed by the United Nations Secretary General Ban Ki-moon who, on 21 November, released a statement welcoming the vote, singling out the “role of Haitian institutions in ensuring an environment conducive to the holding of the polls”. The US State Department also welcomed the polls as “an important step towards returning Haiti to full constitutional rule and addressing the serious challenges the country faces” and citing preliminary reports which “indicate that the elections were conducted with minimal violence and disruption”. The show of support for the electoral process by the US is significant given its previous rejection of the decision to restage the vote [WR-16-30].

Improvements on voting day compared with the October 2015 election (in which an official commission [CEEI] set up at the end of last year found 92% of 1,771 tally sheets selected at random contained “serious irregularities”) were also noted by the Organization of American States (OAS), which sent an electoral mission (OAS/EOM). In a preliminary report, the OAS/EOM flagged up the “use of new polling booths, which contributed to the secrecy of the vote, as well as the introduction of a new type of indelible ink to identify citizens that had already cast their vote”. It also noted tighter controls over political party representatives (known as ‘mandataires’), who were at the centre of last year’s controversial election amid claims that their accreditation cards were traded for cash allowing people to vote multiple times.

**Likely victors?**

The most recent pre-electoral survey by a local private think-tank, Bureau de Recherche en Informatique et en Développement Economique et Social (Brides), released on 14 October, showed Jovenel Moïse of Parti Haïtien Tèt Kalé (PHTK), the party of former president Michel Martelly (2011-2016), as the favourite, with 54% of voting intentions. Moïse had won the October 2015 first-round election which was subsequently cancelled. The same Brides poll showed Jude Célestin, of the Ligue Alternative Pour le Progrès et l’Emancipation Haïtienne (Lapeh) party, second with 23.3% of voting intentions; followed by Jean Charles Moïse (Petit Dessalines, PD) on 12%; and Maryse Narcisse, the candidate for Fanmi Lavalas (FL), the party of populist former president Jean-Bertrand Aristide (1991; 1994-1996; 2001-2004), fourth on 7%. If no candidate secures 50%+1 of the vote, run-offs will take place on 29 January 2017.

**Homicides down**

The launch of the trinational force comes as all three Northern Triangle countries are trumpeting a decline in homicide rates, attributable in part to their contentious strategies of using the military in citizen security. On 7 November El Salvador's security ministry announced that in the first 10 months of the year, 4,585 homicides had been registered – 18.4% less than during the same period in 2015 (see page 16). A report by the Honduran security ministry released earlier this month claims a 2.1% fall in homicides in the first 10 months of 2016 to reach 4,296, while in Guatemala, a report released on 19 October by prominent human-rights group Grupo de Apoyo Mutuo showed that, in the first nine months of 2016, 4,112 homicides were registered nationwide, 3.50% less than that reported in the same period of 2015.

**Rallying in the face of a Trump presidency**

This week the foreign ministers of the so-called 'Northern Triangle' countries (El Salvador, Guatemala and Honduras), along with their Mexican peer, met in Guatemala City to firm up cooperation, particularly regarding migration. The meeting came a week after the three Northern Triangle presidents (El Salvador's Salvador Sánchez Cerén, Guatemala's Jimmy Morales, and Honduras's Juan Orlando Hernández) announced that they had instructed their foreign ministers to draw up a joint position to provide the basis for relations with "new US authorities" following the 8 November electoral victory of US President-elect Donald Trump. Given that Trump's campaign included hard-line proposals on stopping illegal immigration (building a wall on the border with Mexico and stepping up deportations), isolationist rhetoric, and economic protectionism, his victory has triggered widespread concern in Central America.

Following the 21 November meeting, Guatemala's foreign ministry issued a press release, noting that those present agreed on the need to "transmit trust and peace" to ex pats living in the US and that the four embassies would continue to lobby "future US authorities". More long-term areas of cooperation identified included trade, security and migration. How far these remarks are likely to provide reassurance to the 1.3m Guatemalans, 2.1m Salvadoreans and 812,731 Hondurans currently living in the US (on 2014 estimates from the US-based Pew Research Center) remains to be seen.

Central American countries – and the 'Northern Triangle' in particular – are among those with the highest continual remittance flows from the US in Latin America and the Caribbean, with migration stemming in large part from high levels of violence and limited economic opportunities. A February report by US-based think tank Inter-American Dialogue, notes that Guatemala was the country with the largest growth in remittances from the US in 2015, receiving US\$6.3bn – a 15% year-on-year increase, equivalent to 9.9% of GDP. This was followed by Honduras, which received US\$3.7bn, up 10.9% on the previous year (and accounting for 17.4% of GDP) while El Salvador received US\$4.3bn (a 3% increase), equivalent to 16.8% GDP. As regards the rest of Central America, remittance inflows to Nicaragua reached US\$1.2bn (4.8%, or 9.7% of GDP). While less dependent on remittances, Panama and Costa Rica also receive considerable inflows. Last year Panama received US\$645m (down 1.1%, or 1.6% of GDP); and Costa Rica US\$527m (5.6% less than last year, equal to 1.2% of its GDP).

**Trinational task force**

The three Northern Triangle presidents issued their statement on 15 November after attending the launch of a trinational task force in Honduras's Ocotepeque municipality in the eponymous department.

The task force is part of the Plan of the Alliance for Prosperity (PAP), launched in 2014 in coordination with the US government, aimed at addressing the root causes of the unaccompanied child migrant crisis of Central American children trying to reach the US. Improving citizen security is one of the four key planks of the PAP (along with strengthening the local judicial systems, bolstering other state institutions, and promoting economic development).

A press release by El Salvador's presidential office notes that the new task force will target criminal organisations, prioritising the fight against local 'mara' street gangs, the illicit trafficking of firearms, drug trafficking, and people trafficking, among other things.

The creation of the new trinational force follows the establishment of other binational forces, including the Fuerza Maya Chortí, created in 2015 by Honduras and Guatemala, and a Honduran-Salvadorian force, Fuerza Lenca Sumpul, which launched in El Salvador on 15 November.

## POSTSCRIPT

### Quotes of the week

“These incidents are palpable and dramatic evidence of the risks that uncertainty over the implementation of the peace accord brings.”

*Colombia's President Juan Manuel Santos on the murder of social leaders by paramilitaries at the weekend.*

“Anyone who wants to promote protectionism should read an economic history of the 1930s.”

*Peru's President Pedro Pablo Kuczynski at the Apec summit in Lima.*

“You can come and do business and you won't need an armoured car or pay a single peso as a backhander.”

*Uruguay's President Tabaré Vázquez seeks to persuade Brazilian businessmen to invest in his country.*

### As homicide rate falls in El Salvador, police murders increase

Confirmation of a sustained decline in homicides in El Salvador over the last six months is being overshadowed by a sharp increase in the number of police officers and soldiers murdered by *mara* street gangs over the last few weeks. The human-rights ombudsman, Raquel Caballero, said that in the face of this “alarming situation” the government should revise the ‘extraordinary security measures’ it implemented in April.

There were 4,585 homicides in El Salvador in the first 10 months of the year, still high but 18.4% down on the same period in 2015. Eleven police officers were killed in the first half of November alone. This brought the number of police officers murdered so far this year to 44, in addition to 20 soldiers. On 16 November, just after a deputy police inspector and his son were shot dead in Quezaltepeque in the north-western department of La Libertad by hooded individuals from a public bus, the national police force (PNC) announced the arrest of more than 40 *mara* gang members accused of involvement in the wave of fatal attacks on the police this month; 30 were subsequently transferred from police cells to solitary confinement in the Zacatecoluca maximum security prison.

The director of the PNC, Howard Cotto, attributed the homicides primarily to Mara Salvatrucha (MS13) which he said would “face its toughest time ever from now on, and discover that trying to neutralise state action by murdering members of the police and armed forces is its worst decision”. The attorney general, Douglas Meléndez, claimed that the order for the attacks was given by imprisoned *mara* leaders. He expressed his concern that they were designed “to intimidate and damage the morale of the police”.

Caballero, who took over as ombudsman in September, questioned whether there had been failings in police intelligence, and proposed two initiatives on 21 November to protect police officers and soldiers and to assist the families of those killed in the line of duty. But Caballero also raised fears that there could be an associated increase in extrajudicial killings, already up since the government relaxed the rules of engagement last year to allow the security forces, ostensibly, to defend themselves from gang attacks. Caballero said there has been 100 accusations of “excessive use of force” by the security forces and extrajudicial killings in the last two months.

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