

latin american weekly report

19 January 2017, WR-17-02

ISSN 0143-5280

CONTENTS

LEADER	1
Can El Salvador end new war 25 years after old one?	
ANDEAN COUNTRIES	
VENEZUELA	3
Maduro's unlikely reach out to Trump	
VENEZUELA	4
Security policy gets another makeover	
COLOMBIA	5
Santos sees two key posts go to close allies	
ECUADOR	6
Correa chalks up milestone with campaign rally	
TRACKING TRENDS	
BRAZIL & SOUTHERN CONE	
BRAZIL	8
Over 130 inmates die in prison riots	
BRAZIL	9
Battling with fiscal demons	
URUGUAY	11
Bonomi battles Bordaberry over murders	
TRACKING TRENDS	
MEXICO & NAFTA	
MEXICO	12
Trying to soften gasolinazo blow	
TRACKING TRENDS	
CENTRAL AMERICA & CARIBBEAN	
NICARAGUA	14
Ortega begins another term	
CUBA	15
Trump urged to consider Cuba policy carefully	
POSTSCRIPT	16
Spectre of Pinochet takes centre stage in Chilean campaign	
Quotes of the week	

Can El Salvador end new war 25 years after old one?

El Salvador commemorated the 25th anniversary of the peace accord that ended the country's bloody 12-year civil war (1980-1992) between the government and Frente Farabundo Martí para la Liberación Nacional (FMLN) guerrillas on 16 January in the midst of another 'war' with the country's *mara* street gangs. It is a sign of just how consumed by violence El Salvador has become that days beforehand, on 11 January, the country went 24 hours without a murder for the first time in two years. The government, ironically now run by the FMLN and led by veteran guerrilla President Salvador Sánchez Cerén, has shown no appetite for peace with the gangs, denying any parallel with their struggle, which suggests this statistic could be an anomaly. The country's largest gang, Mara Salvatrucha (MS13), tabled an unprecedented proposal in late December, however, to hold discussions with the government with a view to disbandment.

El Salvador has taken appreciable steps since the signing of the Chapultepec peace accord, above all forging a functioning democracy which saw the FMLN take power in free and fair elections, and an independent judiciary. There is some hope that the overturning last July of the 1993 amnesty law might allow some reconciliation or justice for relatives of the 'disappeared', but the social injustice that supplied the root cause of the civil war is as acute as ever.

The military's role in public security, meanwhile, has been progressively expanded in recent years, reaching a peak after President Sánchez Cerén declared war on the *mara* gangs in April last year. Disturbing evidence of extrajudicial killings perpetrated by the military and rumours of the emergence of death squads akin to those operating during the civil war have mushroomed. The number of homicides in 2016 was 5,278, according to the police, making it the second most violent year since the end of civil war, down some 20% on 2015. El Salvador remains the most violent country outside of a recognised war zone though, the monthly average of some 440 homicides in 2016 not far below the monthly average of 521 victims during the country's civil war.

The principal cause of this violence is the government's struggle with the *mara* gangs, which Sánchez Cerén has pursued with a zeal that was unmatched by his right-wing predecessors from the (now main opposition) Alianza Republicana Nacionalista (Arena). This despite Sánchez Cerén having presented repression of crime and violence as just one of five pillars of his public security plan in July 2014 along with, inter alia, prevention of violence, rehabilitation and social reinsertion.

Shortly before the commemoration of the peace accords, MS13 made a suggestion which it claimed could bring El Salvador's second 'war' to an end. The prestigious online publication *El Faro* ran a piece last week based on inter-

Mara talks

With legislative and municipal elections only just over one year away, dialogue with the *mara* gangs would be a risky political strategy unless all parties could be persuaded to make it a matter of national interest. The precedent for subordinating party to national interests is not positive though as the discussions over a further US\$650m bond issuance show; Arena broke off talks on 10 January with the government which it accused of failing to table “any kind of accord to benefit the public [instead] calling for more loans and bond emissions”. The Arena party hierarchy is split over talks with the gangs. The FMLN’s secretary general, Medardo Gonzalez, insisted that “The Salvadorean state cannot engage in deceitful dialogue and negotiations with criminals”. As *El Faro* revealed last year, however, neither the FMLN nor Arena had any qualms about holding secret talks with gang leaders before presidential elections in 2014 in the hope of securing more votes.

views in late December with spokesmen for MS13. They proposed holding unprecedented “discussions”, eschewing the word ‘truce’ because it is anathema to the present government which has distanced itself entirely from the 2012 truce. They said MS13 had been inspired by the peace process in Colombia. Unlike Colombian guerrilla groups, MS13 has no ideological convictions, political ideals, or intent to topple the government, but while they might not be legitimate political actors, many of them enrolled in the gangs because of the same social injustice, poverty, and marginalisation. MS13 is also involved in some of the same criminal activities as Colombia’s guerrillas, notably extortion. El Salvador’s constitutional chamber of the supreme court ruled in 2015 that the *mara* gangs are terrorist groups that cannot benefit from amnesties for crimes committed like Colombian guerrillas.

MS13 advocated the establishment of a commission comprising representatives of all three *mara* gangs – MS13, Barrio 18 Revolucionarios and Barrio 18 Sureños – as well as all of the country’s political parties due to the not unreasonable concern that any agreement lacking cross-party support would be blocked in the legislative assembly. MS13 proposed disbanding the gang, something which was never on the table during the truce negotiations which were restricted purely to reducing the number of homicides and were widely criticised because the gangs continued to practice extortion. MS13 also denied that there had been any intent on the part of the gang to systematically target military and police officers since the “extraordinary measures” rolled out by the government in April last year, arguing that when gang members were being shot it caused resentment, and the reaction of local leaders to the attacks was sometimes to strike back. MS13 also maintained that the change in tack – being prepared to discuss disbandment – was not because of weakness but maturity.

The MS13 leaders who spoke to *El Faro* said there was genuine desire to emulate the Colombian peace process and “reinsert ourselves as citizens”, but everything hinged on the government’s response to the proposal. *El Faro* said it had presented the MS13 proposal to the communications minister, Eugenio Chicas, on 6 January. Chicas, an outspoken critic of the *mara* gangs, said that “the position has been not to deal with these groups, but the president has the authority to change this, it’s an issue that needs to be considered.”

Chicas said that demobilising would require a massive financial commitment from the government at a time when the economy is struggling (growing at under 2% a year) to support individual gang members. Leaving aside the ethical argument of choosing war over peace because it is ostensibly cheaper, El Salvador would save money elsewhere, notably in public security costs, and if violence and extortion were ended it could see a major influx in investment, and end the financial drain on businesses, both of which could drive stagnant economic growth and amply cover these losses.

On 15 January, the Catholic auxiliary archbishop of San Salvador said the Catholic Church would be prepared to mediate such discussions. The following day Barrio 18 Sureños came out in support of the MS13 dialogue proposal, offering to discuss not just demobilising but also abandoning extortion as a way of life; ceasing all recruitment; and locating all of the bodies of gang victims who have ‘disappeared’. Barrio 18 Sureños said that reinsertion programmes were a *sine qua non* of talks.

No sooner had hope emerged for a way out of the violence than Chicas came back with a firm response from the government: “no dialogue, no conversations, no possibility of any type of agreement that would open that route”. He added that he suspected opportunism from the *mara* gangs “abusively using the occasion of the commemoration of the peace accords...to try and take advantage of the sentiment of peace and dialogue in the country to extract concessions”.

Maduro's unlikely reach out to Trump**'Trumponomics'**

The Venezuelan economist Francisco Rodríguez, of the New York-based Torino Capital, made the point in a recent client note that 'Trumponomics' – expected to be characterised by expansionary fiscal policy and potentially an effort to weaken the US dollar, all of which could pressure US inflation – could partially benefit Venezuela, by thereby reducing the value of its (mostly) dollar-denominated debt. "Venezuela may thus be the one country with the most to gain from the US's attempt to carry out a non-viable set of economic policies," he commented.

"There's been a brutal hate campaign against [Donald] Trump all over the world," President Nicolás Maduro stated at a news conference in Caracas with the secretary-general of the Organization of the Petroleum Exporting Countries (Opec), Mohammed Barkindo. "I say let's wait and see. All I'll say is that he won't be worse than [Barack] Obama."

"Obama leaves an Africa destroyed. The Middle East is destroyed and at war. The world is plagued with terrorism. In Latin America, he'll be remembered for three coups," President Maduro said, in reference to controversial changes of government in Honduras (2009), Paraguay (2012) and Brazil (2016). "With Trump, we're hopeful. Venezuela ratifies its historic desire to have a relationship of respect and cooperation with the US," he declared. "Great changes are coming in world politics, and one of those changes will be what they are calling the Trump era... The era of a unipolar world is over, and Venezuela is part of these changes. We are in the right place, at the right time, and with the right ideas," Maduro postulated.

Maduro's comments, made just four days before Trump takes office as the new US president, left commentators scratching their heads (which, admittedly, is nothing unusual). However, given Trump's open hostility towards the Caracas government on the campaign trail, Maduro's welcome note was unexpected. Most observers fully expect US-Venezuela relations to deteriorate under Trump, and, indeed, ahead of week-long military exercises last week, Venezuela's Admiral Remigio Ceballos, Chairman of the Joint Chiefs of Staff, said that "aggression was determined on the part of an imperialist country and its allies," in clear allusion to the US.

Trump's choice of the former Exxon oil boss Rex Tillerson as his nominee for secretary of state further reinforces that negative view. Tillerson fell out with Maduro's predecessor Hugo Chávez (1999-2013) upon the abrupt re-nationalisation of the Venezuelan oil sector, and Exxon ended up with minimal compensation after seven years in international arbitration. Exxon is now actively prospecting in neighbouring Guyana, including in waters claimed by Venezuela, with Tillerson last year declaring a second major find. On the other hand, when at Exxon, Tillerson did business with the Russian government led by Vladimir Putin, and has an established relationship with the boss of Russia's state oil giant Rosneft, Igor Sechin, both of whom, in turn, are firm allies of the Maduro government.

Given the new Trump administration's apparently cosy ties with the oil sector, some suggest that the Maduro government might in fact be able to find some common ground with some sections of the incoming cabinet – albeit this is far from the consensus view. For one, the US intent on developing its own hydrocarbons sector, including shale gas, is not supportive of a recovery in global oil prices, which Venezuela desperately needs. Secondly, as Admiral Ceballos made clear, foreign policy in Caracas is based on an assumption of hostility on the part of the US. Thirdly, ongoing investigations by the US Department of Justice and other agencies into corruption and criminal activity at the highest levels of the Venezuelan government and military are ongoing. There is little indication that the new administration will seek to interfere in these high-level probes. Finally, lobbyists for the Venezuelan opposition are actively pushing for a tougher White House stance against Maduro.

Not a man of his word

To little surprise, President Maduro quickly reneged on a statement made two years ago in which he said that the only way he would use his presidential authority to release the jailed opposition leader Leopoldo López would be to put him on a plane in exchange for the release by the US of the Puerto Rican independence activist, Óscar López Rivera, serving a 70-year prison sentence for seditious conspiracy. In one of his final presidential acts, Barack Obama this week ordered López Rivera released, having served 35 years. In response to journalists' questions, Maduro dismissed his "jocose comments" and stressed that López's case was in the hands of the Venezuelan judiciary. "Oscar López Rivera never killed anyone, he never burnt anything, nor destroyed anybody..." Maduro said.

Security policy gets another makeover

President Nicolás Maduro has announced a new security plan, 'Plan de Campaña Carabobo 2021', to be overseen by the vice president, Tareck El-Aissami, who, along with the military leadership, is also at the helm of the new national 'anti coup' command.

At a televised meeting of the citizen security council, President Maduro said the new plan was based on six lines of action, from increased policing to new community efforts, including the expansion of community sports and cultural spaces for young people.

More notably, Maduro relaunched the controversial security initiative known as the Operación Liberación y Protección del Pueblo (OLP), which has been criticised for rights abuses and linked to an increase in violence and homicides in big cities, rather than, as intended, a crackdown on urban-area criminal gangs. Henceforth to be re-baptised as Operación Liberación Humanitaria del Pueblo (OLHP), Maduro declared that the OLP, which he admitted had suffered "abuses and failures", was returning "with more force, and with more love, to protect the people".

'The people' may be sceptical at the prospect of more police and military boots on the streets in order to reinforce the Plan Patria Segura ('Safe Homeland Plan'), which will see more police patrols, backed up by national guard personnel (i.e. the military), to strengthen security in busy public zones. "By July, I want 20,000 new officers out on the streets as part of their practical training, with a popular communitarian vision of protecting the people, so that citizens feel confident about walking down the street and visiting their family," Maduro declared. El Aissami later said that the 20,000 new trainees would be split between the police and the national guard, while promising an end to '*pranato* culture', in reference to the escalating problem with violent gangs in the country.

Another line of action comprises the creation of so-called 'Peace Quadrants', to promote stronger community policing. These quadrants might be described as 'neighbourhood watch' schemes. Each quadrant will have its own emergency phone line (and also a smartphone app) for local residents to communicate directly with the nearest public security forces. These 'Peace Quadrants' are to work in close cooperation with the Unidades de Batalla Bolívar-Chávez (UBCh), the 'Bolívar-Chávez Battle Units' managed by Diosdado Cabello, number two in the ruling Partido Socialista Unido de Venezuela (PSUV).

In conjunction with this, the Sistema de Inteligencia Popular (SP3, 'Popular Intelligence System'), which falls under the remit of the director of the state intelligence agency (Sebin), Gustavo Gonzalo López, will also be strengthened to "alert about threats in political, economic, social, and cultural areas", Maduro said, without elaborating. All of this has a distinctively 'Cuban' ring to it, and certainly, there will be some concern that these neighbourhood security and intelligence schemes could take on more sinister undertones.

These latest measures will come as little surprise to those observers who believe that the Frente Francisco Miranda (FFM), the Chavista-Cuban civil-military wing forged between Hugo Chávez and Fidel Castro back in 2003 as part of their strategic alliance, has latterly consolidated its dominance of the Venezuelan government, with the return of hardliners like El Aissami and Cuba-loyalists like Elías Jaua in Maduro's New Year's cabinet reshuffle.

Santos sees two key posts go to close allies**Vargas Lleras**

Vice-President

Germán Vargas

Lleras, the leader of Cambio Radical (CR),

came in for serious criticism from the

other three parties in the quadripartite

ruling coalition after

CR senators walked out before congress

voted to approve a

key tax reform on 22

December. It is

inconceivable they

would have taken this

decision without

taking guidance from

Vargas Lleras, who

was reluctant to be

associated with an

unpopular tax reform,

above all the three-

percentage-point

increase in value

added tax (VAT).

Events in the last week have left Colombia's President Juan Manuel Santos in a stronger position to achieve the "complete peace" he craves before he leaves office in August 2018. On 12 January Santos announced that the former head of the national police, retired General Oscar Naranjo, would imminently replace Germán Vargas Lleras as vice-president. Four days later Santos swore in Fernando Carrillo to the powerful post of prosecutor general, replacing Alejandro Ordóñez. Vargas Lleras offered equivocal support for the peace process while Ordóñez was openly hostile. Naranjo and Carrillo are firm adherents. To cap things off, the government reached an agreement on 18 January with the country's second-largest guerrilla group, the Ejército de Liberación Nacional (ELN), to launch formal talks.

Naranjo struck several serious blows against Colombia's guerrilla groups during his five-year spell as the head of the national police (2007-2012), but he fully embraced the peace process, serving as post-conflict minister and playing a starring role during negotiations with the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Cuba. Santos said Naranjo would also play a major role in the implementation of the peace accords with the Farc over the course of the next 18 months, pointedly remarking upon his "loyalty". This would not be the foremost quality associated with Vargas Lleras (*see sidebar*), who unlike Naranjo has been far from completely committed to the peace process either.

Vargas Lleras will step down by March in order to be eligible to run for president in general elections on 27 May 2018. This will mean Naranjo is in place to oversee the disarmament, demobilisation and reintegration (DDR) of Farc guerrillas into 27 'concentration zones' around Colombia, something which Santos conceded this week was taking longer than anticipated because it was "a titanic task...[and] an enormous logistical challenge".

Naranjo will also be in a position to assist with the painstakingly slow peace process with the ELN. Exploratory talks with the ELN began three years ago. A six-point agenda for formal talks was finally agreed upon on 30 March last year but the October launch date fell through. After six days of renewed exploratory talks in Santa Ana de Cotacachi, the largest city in the northern Ecuadorean province of Imbabura, the government and ELN overcame the impasse on 18 January. The ELN agreed to the release Odín Sánchez Montes de Oca, described by the defence ministry as the guerrilla group's final political hostage, on 2 February. On the same day, the government will pardon two (unnamed) ELN prisoners. All being well, formal talks would then begin in Ecuador on 7 February.

Another boost for Santos came in the form of Carrillo's appointment as the new prosecutor general. Ordóñez, whose re-election was annulled by the council of state last September, has been a persistent thorn in Santos' side over the peace process, second only to former president Alvaro Uribe (2002-2010) but exercising a more powerful public position. A member of the Partido Liberal (PL) and a former interior minister under Santos, Carrillo is not just an ally but a staunch supporter of peace with the Farc. Upon taking office, Carrillo said, "I will be an overseer and guarantor of these accords, because the only option which is not viable is a return to the past". He promised to deliver "the prosecutor generalship of peace".

Special electoral mission

The special electoral mission comprises seven individuals, including Jorge Enrique Guzmán, director of the sociology department at Colombia's Universidad Javeriana; Juan Carlos Rodríguez, a professor at the political science department of the Universidad de los Andes; Elizabeth Ungar, former director of Transparencia por Colombia; and Alejandra Barrios, the director of Colombia's NGO and electoral watchdog, Misión de Observación Electoral (MOE).

Rooting out corruption in politics

Carrillo went on to describe corruption as "the country's worst enemy, more than war". He argued that "the way to eradicate it is simple: democracy; development; good politics; and transparency." Carrillo said that, with international cooperation, he would create a national early warning and risk prevention system against corruption, and a national public ethics network.

While swearing in Carrillo, Santos warned that "the cancer of corruption has metastasised", promising that combating it would be the government's "absolute priority" for 2017. In a calculated swipe at Uribe, he said "I don't have, and I hope I never will have, any [relative] or any of my closest associates in jail for corruption". Colombia has moved faster than any other country in the region to combat corruption in the form of bribes associated with the Brazilian construction firm Odebrecht to secure state contracts, with authorities having detained two former public officials in office during the Uribe administration in recent days.

Santos also took action this week to combat electoral corruption by installing a special electoral mission in accordance with the political participation chapter of the peace accord signed with the Farc. Comprising seven independent experts (*see sidebar*), this mission will make recommendations to the government to improve the autonomy of the electoral authorities, while modernising the body and making it more transparent. "If we want to combat corruption we have to improve the electoral system," Santos said during a ceremony in the presidential palace Casa de Nariño. "We have to find a way that if someone wants to become a councillor they don't have to go and buy votes. Cleaning up the way that politics is carried out is the essence of democracy."

The special electoral mission will: draft new rules and regulations for the creation of local, regional and national political parties; establish sanctions for political and electoral corruption, focusing on screening in the selection process and registration of candidates by political parties; and propose mechanisms for campaign financing to root out electoral corruption in areas where there is a strong presence of illegal armed groups, especially paramilitary influence. The mission has three months in which to present its recommendations, although Santos appealed to its members to expedite the process and take no longer than two months.

ECUADOR | POLITICS

Correa chalks up milestone with campaign rally

President Rafael Correa marked his 10th anniversary since coming to power on 15 January with a special event in Guayaquil, Ecuador's port city and business hub, that doubled as an electoral campaign rally for the ruling left-wing Alianza País (AP). Correa was accompanied on stage by Lenín Moreno, the AP's presidential candidate, and Jorge Glas, his running mate who began a brief leave of absence as vice-president on 5 January in order to stand for election.

In a 45-minute address to a crowd of supporters in Guayaquil, President Correa gave an impassioned defence of the economic and social achievements of his Citizens' Revolution, especially in the face of serious challenges over the last two years. Correa said he would leave office in May confident that he was handing over a stable economy despite a quadruple whammy in the form of sustained low oil prices; the appreciation of the US dollar; a devastating coastal earthquake in April last year; and the necessity to fork out US\$1.1bn in the last six months to foreign oil firms after adverse rulings in international courts.

Peru overperforms

The remarks by Colombia's finance minister, Mauricio Cárdenas, about the expectation of a strong economic performance by Peru this year comes after Peru's national statistics institute (Inei) revealed on 16 January that the domestic economy grew by 3.61% year-on-year in November 2016. The November GDP growth result was higher than predicted by analysts and brought the cumulative rate since January 2016 to 3.94%, which suggests that Peru's economy will fulfil (and possibly even exceed) the growth forecast of 4% for the whole of 2016 made by the government led by President Pedro Pablo Kuczynski. Peru's strong 2016 year-end economic performance also suggests that the economy will continue to grow apace in 2017 and could reach the Kuczynski government's growth forecast for the year of 4.8%.

"Oil revenue has been barely one-fifth of central government revenue, when before it was half, and in the last two years it has been zero," Correa said. "In the last two years, exports have plummeted by almost 40%, unprecedented, almost US\$10bn in losses. For the first time since Ecuador began exporting oil instead of receiving funds from the state oil companies Petroamazonas and Petroecuador the government has had to give them US\$1.6bn to stave off bankruptcy," he went on.

"Many suspected that the economy would collapse," Correa said. "But not only did the economy not collapse, it is showing important signs of recovery and all of this without the *paquetazos* [shock economic reform policies] that, in the face of far less than we have had to confront, the parties of yesteryear, the governments of the 'old country' used to give us." Correa said he would bequeath his successor a stable economy predicted to grow by 1.4% in 2017. "Ecuador has overcome recession with a minimal cost and in record time," he said.

Moreno picked up the baton from Correa, applauding the government's social welfare policies, in particular alleviating poverty. Moreno said that if he were to win election on 19 February he would concentrate on tourism, agroindustry, and youth employment. Moreno also stressed that "We have offered what we can fulfil...250,000 jobs a year, which would mean full employment within two years, because a candidate that is going to win has to deliver or sooner or later he will be taken to task. A candidate who is going to lose can offer whatever he wants...such as generating 1m, 2m, 3m jobs," a clear allusion to Guillermo Lasso, the presidential candidate for the opposition Movimiento Creo (Creando Oportunidades) running second in the opinion polls. Moreno added that reducing taxes (a major Lasso campaign proposal) was "irresponsible" as they were essential to maintain teachers, judges, doctors and other professionals.

TRACKING TRENDS

COLOMBIA | Positive outlook. Colombia's finance minister, Mauricio Cárdenas, predicted on 17 January that the domestic economy would post GDP growth of 2.5% this year, half a percentage point more than in 2016. Colombia's moderate growth last year came amid a more adverse global economic environment marked by low international prices of oil and mineral commodities – two of Colombia's leading exports. This scenario looks set to remain this year, exacerbated by the uncertainty produced by the prospect of increased economic protectionism in the US following the inauguration of Donald Trump as president.

However, in presenting the final fiscal figures for 2016, Cárdenas said that in his view Colombia's economic growth would accelerate this year after the end of an "adjustment cycle" marked by lower demand for Colombian exports and falling foreign investment levels. Indeed, Cárdenas said that he expected that demand for Colombian goods and foreign investment in Colombia would pick up in 2017 thanks to the positive developments that took place in the country last year.

"We have a new tax reform that gives more clarity," Cárdenas said. "The year 2016 ended with ratification of the peace deal [with the Farc] by congress... [and] in general we have a favourable outlook for market confidence and of course foreign investment," Cárdenas went on. Cárdenas added that, if achieved, the prediction of 2.5% GDP expansion would place Colombia among the fastest growing of Latin America's largest economies, only potentially surpassed by Peru (*see sidebar*).

Cárdenas also said that he expected Colombia's inflation rate to fall back to the central bank's target range of 2%-4% by the end of the year after closing 2016 at a high of 5.75%. Cárdenas noted that the observed monthly inflation rate in December 2016 of 0.42% was lower than the 0.62% registered in the same month of 2015, suggesting an easing of inflationary pressures.

As for the fiscal outlook, Cárdenas said that in the wake of the tax reform, he expected that Colombia would end 2017 with a budget deficit of 3.3% of GDP, lower than the 3.6% of GDP deficit posted last year.

PCC becomes more powerful

Not content with being Brazil's largest drug-trafficking group, the Primeiro Comando da Capital (PCC) has been gradually growing its influence outside of its base in São Paulo. In the past three years, the PCC has increased its presence in the northern state of Roraima from 50 to 1,000 gang members, sparking conflicts with local gangs already well established in the area. As well as a fallout between the PCC and Rio de Janeiro-based gang the Comando Vermelho (CV) last year, the rise of the PCC and its shifting power relations with other traffickers in Brazil has been named as one of the main causes of the recent prison massacres.

BRAZIL & SOUTHERN CONE

BRAZIL | SECURITY

Over 130 inmates die in prison riots

Even for Brazil, hardly a stranger to violence, the first few weeks of 2017 have been decidedly bloody. A series of riots has broken out at various prisons across the Northern states of Amazonas and Rio Grande do Norte and Roraima, leaving a trail of dead bodies in its wake.

The perpetrators are believed to be members of some of Brazil's leading drug trafficking organisations (DTOs) who have been fighting a turf war since the São Paulo-based Primeiro Comando da Capital (PCC) split with its Rio de Janeiro counterpart Comando Vermelho (CV) last year. The fallout has polarised DTOs across the country depending on where their allegiances lie. Meanwhile, the PCC has been aggressively expanding its presence in northern states (*see sidebar*) near the borders with Bolivia, Colombia and Peru, some of Latin America's largest cocaine producers.

A total of 26 prisoners died during the latest massacre, which broke out on 14 January at the Alçacuz prison in Rio Grande do Norte. Late that night, gang members from the PCC threw weapons over the walls of the prison; then PCC members began firing at rival gang members from a local DTO called Sindicato do Crime (Sindicato RN). Other Sindicato RN members were less fortunate and got burnt or hacked to death.

The Alçacuz massacre was just one in a series of security crises crippling Brazil's prisons. The previous week, on 6 January, another riot broke out at the Penitenciária Agrícola de Monte Cristo in the northern state of Roraima in a revenge killing allegedly perpetrated by the PCC when 31 inmates were murdered. "Blood is paid for by blood," read an ominous message on the prison wall, referring to an attack against the PCC that had taken place in Manaus the previous week.

The Manaus massacre at the Complexo Penitenciário Anísio Jobim (Compaj) prison was the biggest and bloodiest of them all. During New Year's riots, which lasted for over 17 hours, members of the local drug gang Família do Norte (FDN) charred, dismembered or beheaded at least 56 victims, mostly members of the PCC.

The rest of the fatalities contributing to the total death toll of over 130 occurred at other nearby prisons, in what became a kind of anarchist chain reaction triggered by the Manaus attack. Besides generating a human-rights crisis within Brazil's prisons, the attacks also sparked security concerns in the surrounding areas when hundreds of prisoners escaped. At the time of writing, over 100 fugitives remain at large in Manaus, prompting fears that the violence will soon spill onto Brazil's streets.

As the prison crisis unfolds, the Brazilian government has been under pressure to enhance security provisions across the country. The state failed to react soon enough despite warnings from local security groups or the prisoners themselves in some cases, according to internal documents seen by news site *Estadão*. "Organised crime has been preparing itself but the state is ill-equipped to stop it," the Rio Grande do Norte governor, Wálber Virgolino, said in an interview with the Brazilian broadcaster *Radio Estadão*.

So far, the government's response to the massacres has failed to stem the bloodshed. President Michel Temer remained conspicuously silent for the first three

Funds for prisons

Last November, the governor of Roraima, Suely Campos, reported the threat of criminal violence to the federal government in November and requested emergency funds to mitigate that risk, but was turned down. Now her fears of further violence have come true, the government may think twice about underinvesting in Brazil's prisons.

days after the Manaus atrocity and then came under fire for calling the attacks an "accident." Worse still, Bruno Júlio, the former secretary for youth from the ruling centre-right party Partido do Movimento Democrático Brasileiro (PMDB) later denied the government's responsibility to protect its prisoners. "I wish [the prisoners] killed more. There should be a massacre every week," he said in an interview with news site *GI*. His comments play on a Brazilian idiom that the only good criminal is a dead criminal but were widely considered tone-deaf in context, and forced his resignation on 7 January.

As the death toll continued to rise, the government pushed forward a national security plan originally scheduled to be released in March. On 6 January, the justice minister, Alexandre de Moraes, laid out a preliminary three-point plan designed to reduce the number of homicides in Brazil, combat organised crime (especially arms and drugs trafficking), and modernise prison systems. As part of the plan, Moraes promised to block mobile phone coverage in at least 30% of Brazil's prisons after it emerged that prisoners who perpetrated the Manaus massacre had access to banned material including mobile phones and even a machine gun.

To combat the problem of overcrowding, which has worsened security by reducing the ratio of officers to prisoners, President Temer promised to invest R\$200m (US\$62.4m) to build five new high-security prisons in the federal states to which the most notorious criminals tend to be transferred and another 25 normal state prisons across the country.

In response to calls from indebted states for emergency funds to be channelled into state prisons, Temer also granted emergency funds to high-risk states including Amazonas, Mato Grosso and Roraima, so state governors could work on making local prisons less dangerous, and sent back-up troops from the Força Nacional to several state capitals. His decision reverses the government's former stance that the security budget must endure severe austerity measures (*see sidebar*).

BRAZIL | ECONOMY

Battling with fiscal demons

A dark cloud has settled over the Brazilian economy, which contracted by an average of 8% over the past two years. But hope is on the horizon that Brazil could make a tentative recovery this year.

Brazil is "facing up to its problems" and is on the road to economic recovery, the finance minister, Henrique Meirelles, said speaking at the annual meeting of the World Economic Forum (WEF) in Davos. Building on the success of fiscal reforms, which passed through the federal congress in the last quarter of 2016, Meirelles predicted that Brazil should show positive growth in the first quarter for the first time in years. Meirelles conceded in an interview broadcast by *Bloomberg* on 17 January, however, that a more lasting economic recovery would take time, as Brazil continues to suffer from the "deep recession carried over from last year".

While many share Meirelles' optimism that the economy will grow again next year, in recent months both the Brazilian government and international financial institutions have gradually scaled down their economic expectations for Brazil. In January, analysts from Brazil's central bank (BCB) predicted that GDP would grow by a tentative 0.5% in line with expectations from the World Bank; down from a predicted 1.6% in September. This shows Brazil is lagging behind its Latin American neighbours, which are projected to grow by 1.2%, according to data from the World Bank published on 10 January.

The future is bright, say Brazilian executives

Brazilian CEOs are optimistic about business prospects over the coming year, found a survey by PricewaterhouseCoopers (PwC). Despite economic and political uncertainty, 57% of Brazilian respondents felt “very confident” that their revenue would increase over the next 12 months compared to an average of 38% across the rest of the globe. The survey, released before this year’s World Economic Forum meeting in Davos, canvassed 1,379 business leaders from 79 countries.

The International Monetary Fund (IMF) showed even less confidence in Brazil’s economic performance and revised its expectations for growth down from 0.5% to 0.2% in a report released on 16 January. IMF analysts justified the downgrade due to political risks including the anti-corruption probe known as *Lava Jato* (centred on kickbacks for contracts from the state-owned oil company Petrobras), along with parallel investigations, which have knocked out several of Temer’s ministers and threatened to implicate the president himself. “The recession caused by political uncertainty amid continued fallout from the Petrobras investigation is proving to be deeper and more protracted than expected,” the report read.

Brazil’s GDP prognosis may be worse than expected, but many investors are still interested in the country’s economic potential. Brazilian stocks were some of the strongest of emerging markets last year and gave investors 60% returns on the US dollar, according to data published by US risk management firm MSCI.

Whether Brazil can continue to court global investors hinges on its ability to push through more fiscal reforms. Last year, financial watchdogs applauded the government’s decision to pass a series of macroeconomic measures including a constitutional change to cap public spending for the next 20 years. Passing that bill through congress despite mass protests was a struggle and as Temer’s popularity deteriorates even further, ensuring the safe passage of an upcoming bill to reduce public pension pay-outs, which would save the state around US\$200bn per year, may prove even more difficult. The bill, on which the senate should vote by April, has already polarised members of congress and faces staunch opposition from civil and labour unions. Asked by *Bloomberg* whether he had a ‘Plan B’ if the bill fell through, Meirelles said the government would “raise taxes as a last resort”.

In terms of trade, Brazil ended 2016 with its best trade balance since records began in 1989. It registered a surplus of US\$47.9bn, according to the ministry of industry, foreign trade and services (MDIC) as exports significantly outstripped imports, the MDIC minister, Abrão Neto, said. “Despite a fall in the total value of exports by 3.5%, there was an increase in the exports of manufactured products and also the quantities exported by Brazil,” he added.

Brazil’s biggest trading partners are China and the US, which has fanned speculation that the so-called ‘Trump-effect’ is likely to impact how much Latin America’s largest economy can grow next year. During the conference at Davos, Meirelles downplayed fears that protectionist policies from the incoming US government would destabilise the Brazilian economy, saying that any improvement in the Brazilian real would be due to improved macroeconomic conditions at home.

Brazil cuts inflation

Brazil has slashed its interest rates for the first time since October. On 11 January, Brazil’s central bank (BCB) cut the Selic by 75 basis points – a move that exceeded market expectations and marked the largest cut the bank has made in the past five years.

Members of the BCB’s monetary policy committee (Copom) voted unanimously to lower interest rates to 13%. Their decision follows a period of falling rates of inflation which dropped from 10.67% to 6.29% between December 2015 and 2016, and are expected to slow even further for 2017.

These figures come as a mixed blessing for Brazil, allowing President Temer to keep his pledge to reduce inflation to single-digit-figures but also signalling that Brazil’s economic recovery has been weaker than expected.

In the long term, these monetary easing measures could help revive Brazil’s economy. However, consumer spending is unlikely to increase in the short term as local businesses and citizens continue struggling to pay off debts.

Bonomi battles Bordaberry over murders

Uruguay's interior minister, Eduardo Bonomi, who has faced consistent pressure from the political opposition for the better part of three years to resign over a perceived deterioration in public security, struck back last week. Bonomi celebrated the release by his ministry of what he described as "significant" figures showing that Uruguay's homicide rate fell by 9.6% in 2016 on the previous year. In absolute terms this was a decline from 293 murders in 2015 to 265 in 2016, with the homicide rate falling from 8.5 per 100,000 inhabitants to 7.6, beneath the global average of 8 per 100,000.

Bonomi, who has been hauled before congress on three separate occasions to face motions of censure, argued that the homicide picture was brightest of all in Montevideo with 27 fewer murders in 2016 on the previous year, down by as much as 15.6%. He said the police patrols which the government introduced in April had played a big part in the reduction in homicides, as well as bringing down the number of violent robberies by 3.7% (even if theft was up by 4.6% nationally) on 2015.

Senator Pedro Bordaberry, the leader of the right-of-centre opposition Partido Colorado (PC, Colorados), the most strident critic of the public security situation, claimed that the official figures were misleading in the case of homicides (*see sidebar*) or unreliable in the case of violent robberies, many of which he claimed were being classified as theft which explained why the latter figure went up. He argued that even if the figures were accurate rather than "massively underreported", the government was still "a long way from meeting its goal of reducing violent robberies by 30%".

TRACKING TRENDS

ARGENTINA | Still turning to international markets for financing. On 12 January, the Argentine government announced that it had reached an agreement with six international banks to borrow a total of US\$6bn, as part of its planned financing for the year. In a press conference, Finance Minister Luis Caputo explained that each of the six banks (Santander, BBVA, Citibank, Deutsche Bank, HSBC, and JP Morgan) have agreed to loan Argentina US\$1bn and to take bonds for the same amount maturing in 2024 and offering a 3.8% annual yield as collateral in a repurchase (Repo) agreement. Caputo said that this was an alternative financing mechanism that would allow the government led by President Mauricio Macri to meet all its financial needs this year; and ensure the success of its latest planned bond issue scheduled to take place on 26 January.

The latest bond issue was announced soon after Macri announced changes to his economic team, appointing Caputo as the new head of the finance ministry and Nicolás Dujovne as the head of the treasury ministry [[WR-17-01](#)]. The government's plan is to raise US\$3bn-US\$5bn by issuing bonds in international markets and a further US\$1bn-US\$2bn by issuing bonds in the domestic market to finance its 2017 budget.

The announcement raised questions among local analysts, as it came after Macri reportedly asked for the resignation of his previous finance minister, Alfonso Prat-Gay, because Argentina significantly tapped financial markets last year only for the government to fail to execute its budget fully even though the domestic economy was stagnating.

After meeting potential investors in the US on 17 January, Caputo said that there appeared to be a strong appetite for Argentine bonds among international investors and that the proposed issue could be oversubscribed by up to US\$15bn. Local analysts noted that the new economic team may be keen on issuing new debt ahead of the expected increase in interest rates offered by US bonds following the inauguration of Donald Trump on 20 January. Funds raised in the bond issues will also help the Macri government service the sizable US\$8bn of debt payments due in April.

“Up until 2011, the average number of homicides in the country was between 200 and 210; from 2012, the average number of homicides has been between 260 and 280, which is an enormous increase. What's more, in 2015 there was a 7.8% increase in homicides compared with 2014 from 268 in 2014 to 289. And now they are celebrating 265 [in 2016]!”

Partido Colorado
Senator Pedro
Bordaberry

Peso hits new record low

The Mexican peso began 2017 falling to a new record low level against the US dollar. After US President-elect Donald Trump threatened to impose “a big border tax” on US and foreign automobile manufacturers that produce cars in Mexico to sell in the US market and succeeded in deterring the likes of Ford Motor Company from going through with existing plans to expand production in Mexico and invest in its US operations instead, the peso broke the M\$20/US\$1 threshold for the first time ever. Since then, as Trump’s inauguration draws closer, the peso has fallen even further to M\$21.96/US\$1. This depreciation will further stoke inflation in Mexico, which is becoming a serious concern for policymakers.

MEXICO & NAFTA

MEXICO | POLITICS & ECONOMY

Trying to soften gasolinazo blow

Following another week of widespread protests against the sharp increase in petrol prices (locally dubbed ‘gasolinazo’) that came into effect on 1 January after the elimination of longstanding government subsidies [[WR-17-01](#)], the Mexican government led by President Enrique Peña Nieto has been busy coming up with ways to mitigate the impact of the price increase on households and businesses. These include increased social spending and the promise of tax breaks to reduce the loss of purchasing power that Mexicans are experiencing on the back of the price increase, which along with the continued depreciation of the peso against the US dollar (*see sidebar*), is stoking inflation. It is not yet clear, however, if these concessions will be enough to ease the general discontent.

In the wake of the unrest produced by the gasolinazo, President Peña Nieto has stuck to his guns, insisting that the elimination of subsidies and the liberalisation of petrol prices was a necessary measure and that his government would not reverse it despite public discontent. However, Peña Nieto said that he understood the “anger” felt by Mexicans and that his government would adopt a series of belt-tightening measures to be able to pass on tax breaks to consumers and businesses, as well as other measures to lessen the negative effects of the fuel price increase. But Peña Nieto said that these measures can only be temporary; must be supported by congress, the private sector, and households; and would have to be fiscally sound.

Peña Nieto said that in order to allocate funds to relief measures the federal government would adopt austerity measures, starting with an immediate 10% reduction in top government salaries. He added that all government branches would also have to implement austerity measures before the executive and the legislative could start analysing what tax breaks to introduce. Then, on 12 January, the government unveiled a new package of social initiatives aimed at benefiting those most affected by rising price levels. Finance Minister José Antonio Meade said the government would take advantage of the fact that the social security institute (IMSS) closed 2016 with a budget surplus for the first time in eight years to launch a new programme benefiting the elderly and the poor.

Meanwhile IMSS director general Mikel Arriola said that the institute would reinvest M\$7.03bn (US\$325.28m) in medical equipment and infrastructure improvements, with a further M\$550m to be spent on sport and recreation facilities. Meade added that Peña Nieto had instructed his ministers to hold regional meetings to explain to the public his government’s goals and objectives for 2017; discuss the increase in petrol prices; and to “hear the concerns of society” before unveiling new relief measures. The promise of increased social spending was significant. In defending the need to eliminate petrol subsidies, Peña Nieto argued that maintaining them would have forced the government to cut social spending.

Counter-proposals

The proposals were received with dissatisfaction by the influential business-sector lobby Coparmex, which complained that the increase in petrol prices not only affects consumers and the poor but also producers, who see their profit margins squeezed. Coparmex presented a series of counter-proposals to alleviate the effects of the price increase. These included things such as increasing national oil refining capacity and expanding the existing oil pipeline network to reduce the cost of transporting petrol; clamping down on oil theft; and developing better targeted social programmes to help those

Judicial austerity

On 15 January Mexico's federal judiciary announced the adoption of new austerity measures designed to save some M\$1.9bn (US\$88m). The judiciary said that it would reduce spending on all non-priority areas, including the rationalisation of spending in trips and the extensive fuel vouchers used by judicial-sector employees. The statement said that all savings would be returned to the federal treasury.

most affected by inflation, as food price inflation is expected to increase by as much as 40% due to the gasolinazo.

As the other federal government branches, such as the judiciary, announced their planned austerity measures (*see sidebar*), the political opposition also got in on the act and began floating their own radical proposals to alleviate the effects of the gasolinazo and promote government savings. Legislators from the right-wing opposition Partido Acción Nacional (PAN) suggested reducing the number of federal ministries and entities (by fusing some and eliminating others) to reduce overall spending and produce savings of up to M\$343.89bn (US\$15.64bn), much more than the "symbolic" savings being proposed by the government. PAN legislators said that these savings could be used to help pay the public debt, reduce the overall tax burden, and invest in the energy sector to help make it more competitive and ensure lower fuel prices in the long term. They added that these changes would also help to eliminate "inefficient funds, programmes and bureaucracy that feed corruption and clientelism".

Meanwhile, the left-wing opposition Partido de la Revolución Democrática (PRD), which has been publicly backing the protests and organised its own anti-gasolinazo demonstrations, has called on leftist opposition parties to join forces to push for the repeal of the legislation eliminating the fuel subsidies in congress; and announced the launch of a campaign calling for individuals to be exempt from paying any fuel taxes.

Legislators from the ruling Partido Revolucionario Institucional (PRI) party reacted to these proposals by suggesting that reducing the size of the federal congress would be the most sensible way to cut down government spending. The majority PRI congressional bench proposed eliminating 32 senatorial seats and 100 seats in the chamber of deputies, arguing that this would help to improve the efficiency of congress and produce savings that could be redirected to social programmes (glossing over the fact that this would make it easier for the PRI, Mexico's largest party, to secure congressional majorities).

All of these proposals produced a lively if unproductive congressional debate. In the end both houses agreed to postpone further debate and to adopt contingency austerity measures. Senators agreed to reduce senate spending by 10% by limiting trips and the purchase of fuel and other allowances enjoyed by its employees, as well as to freeze the recruitment of new employees. Meanwhile the chamber of deputies agreed to eliminate an annual M\$150,000 bonus that each of its 500 members receives as well as the generous phone bill and fuel vouchers that they are entitled to, and a 25% reduction in their food vouchers. The move by the legislative and judicial branches of government to implement austerity measures is a boon for the Peña Nieto executive, but with protests against the gasolinazo ongoing the onus is now on the government to come up with temporary relief measures that mollify the public.

TRACKING TRENDS

MEXICO | Bleak economic outlook. The International Monetary Fund (IMF) revised down its growth forecast for Mexico from 2.3% projected in October 2016 to 1.7% in its latest World Economic Outlook report. The IMF based its downward revision on the economic "uncertainty" produced by the arrival of Donald Trump to the US presidency. It said that while Mexico continues to have solid macroeconomic policies that help to absorb external economic shocks and reinforce Mexico's economic position, the threats issued by Trump that he would seek to protect US manufacturing jobs by imposing import tariffs on Mexican manufactured goods, as well as actively seek to dissuade US and foreign manufacturers from investing in Mexico over the US, would negatively impact Mexico's economy. The Economic Commission for Latin America and the Caribbean (Eclac) reduced its growth projection for Mexico from 2% to 1.9%.

Ortega begins another term

President Daniel Ortega assumed office for a third consecutive term last week following his convincing (72.5%) re-election in the November 2016 presidential contest (albeit in a highly-questionable electoral process) [[WR-16-44](#)]. With a recent poll suggesting that the public is willing to disregard democracy-related concerns if Ortega's Frente Sandinista de Liberación Nacional (FSLN) government continues to perform well in sectors such as the economy and security, the optimistic outlook held by both the Nicaraguan central bank (BCN) and institutions such as the International Monetary Fund (IMF) augur well for Ortega's new mandate.

On 13 December José Miguel Cruz, an academic from the US-based Florida International University (FIU), presented the results of the latest Barometer of the Americas poll on Nicaragua by Vanderbilt University's Latin American Public Opinion Project (LAPOP) which showed President Ortega with 69% approval. Conducted every two years, the LAPOP survey cited 67% of the 1,560 respondents as saying that their biggest concern was the economy. While not insignificant, this was still better than the 81% who cited it as such in 2014. Of those surveyed 34% considered an improvement to have taken place in the national economic situation as well as their own personal circumstances, while 34% said there had been no change. While 27% of respondents considered that their personal economic situation had got worse, this was down from 33% in 2014. One interesting finding from the poll – which also pointed to an increasingly repressive political climate (see *sidebar*) – was that while 62% declared themselves in favour of democracy, 44% still said that the president should be able to do whatever he/she wants if in line with what the people want, regardless of the law.

That this positive economic situation is set to continue was suggested in a recent BCN report. Released on 13 January the BCN outlook for 2017 expects growth to remain at between 4.5% and 5% this year, following estimates of 4.6%-4.9% growth for 2016. This optimism was also supported by the IMF, which concluded a staff visit last month [[WR-16-48](#)] albeit while noting the possible impact of the reduction in cooperation from Venezuela which is facing a political and economic crisis. The IMF report highlights that "while the reduction in Petrocaribe flows [a reference to the scheme which provides cheap financing for oil imports from Venezuela] has been absorbed so far without major impact on the availability of external financing, macroeconomic risks should be closely monitored and mitigating policies put in place".

2017 Budget

Last month Nicaragua's 92-member unicameral legislature approved the draft national budget for 2017. The budget proposes C\$80.01bn (US\$2.72bn) in spending (up 9.0% on 2016) and expects C\$72.80 in revenue (US\$11.2% on 2016) with the shortfall to be made up with donations and loans.

Announcing the budget, which earmarks C\$19.1bn for public investment – up 13.79% on 2016 – the Ortega executive trumpeted its commitment to health and education, which received C\$13.10bn and C\$13.05bn, respectively.

As part of poverty reduction efforts – also crucial to ensuring Ortega's enduring popularity [[WR-16-44](#)] – the initiative proposes strengthening programmes such as Hambre Cero (Zero Hunger) which provides impoverished families with basic inputs like livestock and seeds, assigning C\$348.33m this year. Meanwhile C\$106.37m has been assigned to the programme Usura Cero (Zero Usury) which provides women with affordable micro-credit.

Repressive climate

The most recent Barometer of the Americas poll on Nicaragua by US-based Vanderbilt University's Latin American Public Opinion Project (LAPOP) revealed an increasingly repressive political environment in Nicaragua, with 55% of respondents considering that there was "very little freedom" to express political opinions while 63% said that they needed to be careful when expressing political opinions, up from 55% in 2014.

'Wet foot, dry foot' ended

The rush of cooperation accords with Cuba in the closing days of the Obama administration was preceded by the announcement that the US Department of Homeland Security was calling time on the 'wet foot, dry foot' policy for Cuban migrants, as well as the Cuban Medical Professional Parole programme. Under the 'wet foot, dry foot' policy Cuban migrants arriving on US soil were given permanent leave to remain, while those found at sea were returned to Cuba or a third country. "By taking this step, we are treating Cuban migrants the same way we treat migrants from other countries," Obama said. Cuba also complained that the Medical Professional Parole programme encouraged its highly-trained medical staff to abandon foreign postings.

Trump urged to consider Cuba policy carefully

With just days left in office, the US administration led by President Barack Obama raced to sign a final batch of cooperation agreements with Cuba this week, while US organisations in favour of engagement called on President-elect Donald Trump to consider carefully all angles before drawing up his new Cuba policy.

According to a White House press release, Deputy National Security Advisor Ben Rhodes was in Havana on 16 January for official meetings, cultural engagements, and to finalise several agreements, notably including a new US-Cuba Law Enforcement Memorandum of Understanding (MOU). The statement said that this new arrangement would "establish a framework for strengthening our partnership on counternarcotics, counterterrorism, legal cooperation, and money laundering, including technical exchanges that contribute to a strong US-Cuba law enforcement relationship". Also due for signature was an air and maritime search and rescue cooperation agreement in the Florida Straits; an agreement setting territorial limits in contested Gulf of Mexico waters; and health cooperation protocols. According to the White House, in all the two governments will have signed 22 accords in the last 18 months covering health, medical research, agriculture, environmental cooperation, hydrography, marine protected areas, counter-narcotics, civil aviation and direct mail.

Not all of these agreements are binding, meaning that they could be rolled back by the next administration. Hard-line Cuban-American lobbyists have the ear of the Trump team. Trump's nominee for secretary of state, Rex Tillerson, said in his senate confirmation hearing that a review of Cuba policy was top of the list for the new administration, while Trump's national security advisor, Michael Flynn, has signalled that he is not in favour of the current policy of engagement.

In an effort to counter this, the Cuba Study Group, an organisation of Cuban-American business leaders, along with the Washington-based Engage Cuba coalition of companies and 16 other organisations and individuals, this week released a memo "urging the president-elect to conduct a comprehensive evaluation of progress made in US-Cuba relations, believing that such an analysis would confirm that constructive engagement is the best strategy for supporting the Cuban people and boosting US jobs and exports". It argued: "To reflexively reverse course could have pernicious consequences."

The memo "highlights many of the gains already derived from engaging with the Cuban government, including employing thousands of US workers, allowing Cuban-Americans to directly support their Cuban relatives on the island, providing critical funding for the country's nascent private sector, and granting the Cuban population greater access to information via the internet". It argued that disengagement could expose the US to "unnecessary risks to its national security [and] destroy the good will given by the global community, especially in Latin America, for US efforts to normalize relations with Cuba".

Dozens of US agriculture groups also sent a letter urging Trump "not to take steps to reverse progress made in normalizing relations with Cuba", contending that "It's time to put the 17 million American jobs associated with agriculture ahead of a few hard-line politicians in Washington". Meanwhile, the Cuban foreign ministry's top official for US relations, Josefina Vidal, told the UK's *Guardian* newspaper that "aggression, pressure, conditions, impositions do not work with Cuba. This is not the way to attempt to have even a minimally civilised relationship with Cuba."

Quotes of the week

“The worst enemies of Colombia no longer carry weapons but bribes. The culture of corruption is the scourge that gnaws away at the nation’s foundations.”

Colombia’s new inspector general, Fernando Carrillo.

“I am anxiously waiting for 25 May [when he hands over power] to dawn. I am not sad to be going but very happy.”

Ecuador’s President Rafael Correa says he is “tired” of power.

“We are living through a crisis of deep distrust. [Price] collusion [scandals], corruption...classism. Despicable abuses worse still because they have been committed by the powerful.”

Chile’s former president Ricardo Lagos said.

POSTSCRIPT

Spectre of Pinochet takes centre stage in Chilean campaign

Chile’s President Michelle Bachelet accepted the resignation this week of the former commander-in-chief of the army (2002-2006), retired General Juan Emilio Cheyre, from the electoral board (Servel). Cheyre had presented his resignation last August after charges were levelled at him for being an accomplice to the murder of 15 political opponents of General Augusto Pinochet at the start of the military dictatorship in October 1973.

In 1973 Cheyre was a young lieutenant and adjutant to the commander of the regiment in the town of La Serena, capital of the northern Coquimbo region. After the arrival at the military base in La Serena of the so-called ‘Caravan of Death’, a peripatetic group of military officers who held sham trials around Chile, 15 political prisoners were summarily shot. Cheyre, who earned the sobriquet ‘Never Again General’ in 2003 for saying that the army would “never again commit human-rights violations”, was well regarded in political, academic and business circles.

Cheyre’s resignation from Servel comes as the race is starting to take shape ahead of November’s elections. Former president Ricardo Lagos (2000-2006) officially entered the contest this week for the Partido por la Democracia (PPD), part of the ruling leftist coalition Nueva Mayoría. Lagos, who founded the PPD in the 1980s under the Pinochet dictatorship, acknowledged the profound public disenchantment with the political class in Chile caused, he said, by corruption and abuses by people in positions of power. “Just as we pointed to the dictator [a reference to the episode for which Lagos shot to prominence in 1988 when he pointed his finger at the camera during a television debate and accused Pinochet of murder] today we are going to do the same with these people.”

Tension is running high in Chile. In an attack reminiscent of the Pinochet-era, a parcel bomb exploded outside the home of the chairman of the state-run copper company Codelco, Óscar Landerretche, in La Reina commune in metropolitan Santiago, on 13 January. Landerretche suffered some minor injuries. It is not clear who was behind the delivery of the package, presented as a gift from the Universidad de Chile economics and business faculty where Landerretche previously taught, although Chile has seen some attacks by anarchist groups in recent years. Former president Sebastián Piñera (2010-2014), the frontrunner in early opinion polls for the presidential elections, condemned the “cowardly attack” which he said should “unite all Chileans...against terrorism”.

LatinNews Daily

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

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

LatinNews Daily costs just \$1,785 USD or £1,100 GBP for the year. For a 10-day free trial register at www.LatinNews.com, or for further information please contact Maria Isotalo via our online form at: www.latinnews.com/contact-us.

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

EDITOR: JON FARMER. Subscription rates will be sent on request. Overseas subscription sent by airmail. Printed by Quorum Print Services Limited, Unit 3, Lansdown Industrial Estate, Gloucester Road, Cheltenham, Glos. GL51 8PL **COPYRIGHT © 2017** in all countries. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, electrical, chemical, mechanical, optical, photocopying, recording or otherwise, without the prior written permission of the publishers. Registered as a newspaper by Royal Mail. **REFERENCES:** Back references and cross-references in the current series will be made thus: WR-17-01 will indicate Weekly Report, 2017, issue 1.