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CONTENTS

LEADER	1
US designates Venezuela's vice-president as narcotics trafficker	
ANDEAN COUNTRIES	
COLOMBIA	3
Peace process engenders Catatumbo conundrum	
PERU	4
Kuczynski seeks to regain initiative	
BOLIVIA	5
Relations with Argentina tested over migration	
BRAZIL & SOUTHERN CONE	
BRAZIL	6
Carnival overshadowed by violence	
CHILE	8
La Escondida strike damages growth prospects	
ARGENTINA	9
Macri accused of conflict of interest	
TRACKING TRENDS	
MEXICO & NAFTA	
MEXICO	11
Post-Chapo cartel violence on the rise?	
MEXICO	12
PRD suffers desertion to Morena	
CENTRAL AMERICA & CARIBBEAN	
EL SALVADOR	14
War on mara gangs extended	
TRACKING TRENDS	
POSTSCRIPT	16
Petroecuador verdict spices up Ecuador's elections	
Quotes of the week	

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US designates Venezuela's vice-president as narcotics trafficker

Venezuela's Vice-President Tareck El Aissami has become the most senior government official in Venezuela – and indeed one of the most senior of any country – added by the US Treasury Department to its list of foreign nationals subject to economic sanctions. The move has slightly weakened the notion that US-Venezuelan relations might take a turn for the better under the new administration led by President Donald Trump.

In a statement dated 13 February, the US Treasury's Office of Foreign Assets Control (Ofac) proclaimed El Aissami a Specially Designated Narcotics Trafficker pursuant to the Foreign Narcotics Kingpin Designation Act for playing a significant role in international narcotics trafficking.

El Aissami was promoted to vice president in January; he previously served in the cabinet as interior and justice minister under the late president Hugo Chávez (1999-2013). As state governor, his nickname was 'El narco de Aragua', according to Venezuelan media. According to the Ofac, El Aissami "facilitated shipments of narcotics from Venezuela, to include control over planes that leave from a Venezuelan air base, as well as control of drug routes through the ports in Venezuela. In his previous positions, he oversaw or partially owned narcotics shipments of over 1,000 kilograms from Venezuela on multiple occasions, including those with the final destinations of Mexico and the US. He also facilitated, coordinated, and protected other narcotics traffickers operating in Venezuela." The Ofac also claimed that El Aissami was linked to the coordination of drug shipments to the Mexican drug trafficking organisation (DTO) Los Zetas.

The Ofac designated Samark José López Bello, described as "El Aissami's primary frontman", for providing "material assistance, financial support, or goods or services in support of the international narcotics trafficking activities of, and acting for or on behalf of, El Aissami". Finally, it designated and blocked 13 companies owned or controlled by López Bello and/or El Aissami in the British Virgin Islands, Panama, the UK, the US and Venezuela. Under the designation, "US citizens are prohibited from engaging in transactions or otherwise dealing with these individuals and entities, and any assets the individuals and entities may have under US jurisdiction are frozen".

Making his debut as US Treasury Secretary the following day (14 February), Steve Mnuchin said that Trump "appreciated the hard work" put in by multiple US agencies in the investigation, including the Departments of Treasury and State and the National Security Council, noting that the Ofac designation was "a big deal" and would freeze "tens of millions of dollars" purportedly belonging to El Aissami and his alleged accomplice.

Maduro – trying to avoid the wrath of Trump?

Much has been made of President Maduro's continuing refusal to publicly criticise Donald Trump since his election victory. Ahead of Trump's inauguration, Maduro said he preferred to "wait and see". He also expressed some sympathy for Trump's constant media trolling, and opined that Trump could not be worse than Barack Obama. In his defence of El Aissami this week, Maduro railed against Hillary Clinton and Barack Obama, but again made no mention of Trump. Pundits suggest that Maduro may be motivated by the fact that getting onto Trump's radar invariably results in trouble. In saying nothing to call attention to himself, Maduro may be trying to stay under the radar, in the hope that Trump will be too busy with 'America First' to bother much with Venezuela. Another line of speculation is that Trump's apparent friendliness with Russia's Vladimir Putin might also help shield Venezuela.

Mnuchin sought to dispel the idea that the Trump administration had deliberately targeted El Aissami – stressing that the designation was the result of "a multi-year" effort. Some observers accepted this at face value, suggesting that the time was simply ripe for the Ofac to publicly list El Aissami. Others ventured that the timing was no accident, coming as it did after a call on 8 February by 34 US congressional representatives urging the Trump administration to "take immediate action to sanction regime officials". The White House had let it be known that Trump had expressed concern about Venezuela in a phone call with Peru's President Pedro Pablo Kuczynski (and again with Argentina's President Mauricio Macri). Furthermore, some officials from the previous administration were quoted by US media as saying that the Ofac designation had in fact been held back in late 2016, so as not to risk Vatican efforts to promote dialogue in Venezuela (which ultimately came to naught).

As such, the ready-to-go designation represented some 'low hanging fruit' for the White House, allowing Trump to preside over some decisive action (with bipartisan backing) and potentially deflect attention (if only for a few hours) from the continuing problems in his own administration. As such, Mnuchin made clear that the White House stood firmly behind the Ofac action, adding that Trump also "wanted to send a clear message to the Venezuelan people that America stands with them".

The Venezuelan reaction was predictably apoplectic. El Aissami himself was first off, denouncing the "miserable provocations" of the US, which he attributed to his position as an "anti-imperialist Revolutionary". "The truth is invincible and we'll see how this infamy and aggression fades," he tweeted. "Now, more than ever, we have the strength to make this Revolution irreversible." The foreign ministry decried "an infamy against the highest authority of the state", and "a false positive against a decent and dignified Venezuelan".

President Nicolás Maduro followed up with a similarly stout defence, demanding a retraction and vowing to fight for his number two by all means. Notably, another brewing scandal implicating El Aissami could be much more serious for Maduro – this centres on the alleged sale of Venezuelan passports in the Middle East. Given the US focus on global security and migration, this simmering scandal could yet have serious consequences for Caracas.

The Venezuelan government is now rather unique in having a string of former and current senior officials designated by the Ofac. Professor David Smilde of Tulane University, a fellow of the Washington Office on Latin America (WOLA), suggests that Maduro may deliberately promote these officials, knowing that in affording them this protection they will remain loyal to the bitter end and defend the Bolivarian Revolution at all costs. By way of example, Smilde points to the cases of General Néstor Reverol, a former head of the Venezuelan anti-drug agency and one-time director of the national guard, who was made interior minister in August last year, a day after US prosecutors unsealed an indictment against him for links to drug trafficking. In March 2015, General Benavides Torres was made head of the national guard after being placed on a US sanctions list. General Gustavo González López became director of the national intelligence service (Sebin) in similar circumstances. It is a zero-sum game for these officials – if the Venezuelan opposition were to take power in elections, they would all risk extradition to the US.

The flip side of this is that the Maduro administration has now become so radicalised, whether by its own actions or by virtue of external pressure from the likes of the US, that finding a negotiated way out of the country's deep political crisis appears extremely difficult. Clearly, for certain sectors, there is nothing to be gained from dialogue or compromise. Unless, that is, Venezuela eventually looks to neighbouring Colombia for a negotiated political solution, to include some kind of transitional justice arrangement.

Farc absence

Ascamcat is concerned that its members will be targeted by neo-paramilitaries because the group has espoused some of the Farc's demands. It has insisted on the establishment of a 10,000-hectare semi-autonomous peasant farmer territory (ZRC) in the area, as favoured by the Farc, to improve access to land for small-scale farmers, increase security over land tenure, limit the encroachment of agro-industrial enterprises, and institutionalise state support for peasant farmer producers. Ascamcat is also opposed to coca eradication efforts without the provision of viable alternatives to the cultivation of the illicit crop.

Peace process engenders Catatumbo conundrum

Events in the war-torn region of Catatumbo have thrown into stark relief the difficulties which could arise from the disarmament and demobilisation of the Fuerzas Armadas Revolucionarias de Colombia (Farc). Peasant farmers represented by the Asociación Campesina del Catatumbo (Ascamcat) blocked the passage of Farc guerrillas to a local camp out of deep concern that the Farc will leave a vacuum, which will be filled by paramilitary groups. The government announced the deployment of 2,200 members of the military and the police to Catatumbo, located in the north-eastern department of Norte de Santander. This will boost the presence of the security forces in Catatumbo to 8,500 personnel, the defence minister, Luis Carlos Villegas, said.

Some 300,000 people live in the 11 municipalities covering 10,089km² that comprise Catatumbo, many dependent on coca cultivation to subsist, according to Ascamcat. Its proximity to the border with Venezuela makes Catatumbo a hotbed of violence, drug trafficking, and contraband smuggling. In addition to the Farc's 33rd front, Colombia's second-largest guerrilla group, Ejército de Liberación Nacional (ELN), has a strong presence there through its 'Camilo Torres' front. Colombia's largest neo-paramilitary group Clan Úsuga, which began calling itself the Autodefensas Gaitanistas de Colombia (AGC) last year, is actively involved in drug trafficking in Catatumbo, as well as illegal armed groups such as the Rastrojos and Águilas Negras, along with the last remnants of the Ejército Popular de Liberación (EPL), a guerrilla group created in 1969 and formally demobilised in 1991 which is now better known as Los Pelusos and deemed by the government to be a drug trafficking organisation.

Although all of the municipalities in Catatumbo voted 'yes' in the referendum on the peace process with the Farc, there is a profound fear among the local civilian population that the vacuum left by the Farc will be filled by paramilitary groups. Some 200 guerrillas from the Farc's 33rd front finally reached the Caño Indio camp for the purpose of disarmament, demobilisation, and reintegration (DDR) in the Catatumbo municipality of Tibú on 14 February. It took the Farc guerrillas five days to transfer from La Gabarra, located in the same municipality, because some 500 members of Ascamcat blocked the way.

Ascamcat sees the Farc as a source of protection and does not trust the state to assume this role. Just days earlier some 200 armed men from the AGC dressed in military uniforms displaced 80 indigenous inhabitants of Bojayá in the north-western department of Chocó. Bojayá was the scene of bitter fighting between the Farc and paramilitaries, where Farc guerrillas detonated a bomb in a church in May 2002 killing at least 79 civilians. There have been further reports of large groups of armed men moving into municipalities in Chocó and other areas of Farc influence, warning local inhabitants not to support the implementation of the peace process with the Farc. Ascamcat claimed that a group of 50 men dressed in black arrived in local communities in Catatumbo last week issuing threats.

Villegas insists that the state will restore security to Catatumbo. In addition to the deployment of 2,200 more members of the security forces to the region he said that a joint army-police operation had captured the second-in-command of the EPL, known as 'Darwin', in Cúcuta, the capital of Norte de Santander. The EPL is based in the Catatumbo municipality of Teorema.

Economy – recovering, but not broadly

Following President Kuczynski's anti-corruption measures, the economy and finance ministry (MEF) said that it was working on fresh stimulus measures to offset the dampening effect of the Odebrecht scandal on the economy, with the aim of ensuring that public and private investment gets off the ground as planned this year. Prime Minister Fernando Zavala stressed that the government would not sit by with its arms crossed and still aimed to guarantee real GDP growth of over 4% this year. The national statistics institute (Inei) subsequently reported that economic growth came in at 3.9% last year, slightly above an expected 3.8%, but largely fuelled by a surge in mining output. Key domestic sectors like construction, however, remained in the doldrums (-4.2%), amid weak private investment activity.

Kuczynski seeks to regain initiative

After a tumultuous week in which nerves appeared to fray at the very top of the administration led by President Pedro Pablo Kuczynski, the mood in Lima has calmed somewhat. After some delay, the government has finally shaken off its torpor to announce concrete actions to limit the fallout – economic and political – from the crisis surrounding the paying of bribes by the Brazilian construction firm Odebrecht. Restoring confidence is critical. For now, the main opposition Fuerza Popular (FP, Fujimoristas) is supportive of these efforts, but that could change at any moment.

Former president Alejandro Toledo (2001-2006), wanted for questioning on charges of taking US\$20m in bribes from Odebrecht, is now believed to be in California. While there is an Interpol Red Notice against him in 190 countries (a request to locate and provisionally arrest an individual pending extradition), this may take some time. For one thing, he is in the US legally, with his visa fully in order, and so US border authorities have no reason to deport him. And while Peru and the US have an extradition treaty in place, the US has said it needs “more evidence of probable cause” before ordering Toledo's detention, much to the frustration of Peru's Interior Minister Carlos Basombrío (after all, the US Department of Justice itself originated much of the initial evidence as part of its huge plea bargain deal with Odebrecht).

President Kuczynski had a phone conversation with his US counterpart Donald Trump on 12 February in which he pressed the matter. Trump, while warmly praising US-Peru relations, was non-committal on the Toledo situation. As things stand, therefore, Peruvian prosecutors admit that their efforts to secure the former president could drag on for months. Toledo, meanwhile, has broken his silence to deny the allegations as a politically-motivated witch hunt; and intimated that he does not believe he would enjoy a fair trial in Peru. Kuczynski's initial reaction to the case – he accused Toledo of being a traitor to the country – and the widespread condemnation of Toledo in the Peruvian media, may give his defence team some grounds to deploy that argument.

The well-known local journalist Gustavo Gorritti has suggested that the media and political storm over Toledo may be deliberate in order to shield others also involved in irregular past dealings with Odebrecht. Certainly, the available evidence suggests that Toledo was not the only senior politician in Peru to be pocketed by Odebrecht. But for now, all the heat is on him, which suits Kuczynski and Prime Minister Fernando Zavala, who both served in Toledo's cabinet (Kuczynski as economy minister and then prime minister; Zavala, Kuczynski's deputy, succeeded him in the economy portfolio).

After his initial outburst against Toledo, Kuczynski seemed to disappear for several days. The silence from the top of government only exacerbated the feeling of uncertainty on the ground. When Kuczynski did finally reappear he gave a televised national address on 12 February in which he announced a package of new anti-corruption measures via urgent decree.

Under these new rules, companies accused of corruption would be banned from future state contracts; would not be allowed to move money out of Peru; would have to request government permission to sell their shares; and could see their earnings retained in a new Reparation and Retention Trust Fund (FIRR). Kuczynski also stressed that public officials implicated in corruption would face ‘civil death’. Finally, all new state contracts will have anti-corruption clauses as standard going forward, giving the state added legal protection.

Relations with Argentina tested over migration

Immigration restrictions recently introduced by Argentina have threatened to heighten tension with the Movimiento al Socialismo (MAS) government led by President Evo Morales, prompting the latter to send a high-level delegation to Buenos Aires. The potential source of strain on bilateral relations comes as cooperation between the two sides in other areas remains strong.

Headed up by the president of Bolivia's senate, José Alberto Gonzales, and Rural Development Minister César Cocarico, the Bolivian delegation paid a visit to Argentina from 5-8 February to discuss the presidential decree (DNU) issued by President Mauricio Macri which took effect on 30 January, introducing changes to Argentina's migration laws [WR-17-04]. At the time, the Macri government claimed that the changes, which forbid the entrance and permanence in the country of any foreign nationals with criminal records, were necessary to improve public security.

While the DNU was slammed by a range of sectors as xenophobic, Argentina-Bolivia relations had already taken a turn for the worse days earlier over remarks made by Argentina's security minister, Patricia Bullrich. Bullrich had blamed the upsurge in violent crime in Argentina – the justification for the DNU – on drug trafficking organisations led by foreign nationals from neighbouring countries such as Paraguay, Bolivia, and Peru, who she said had established themselves in Argentina. This led Bolivia's foreign ministry on 27 January to call on Argentina's embassy in La Paz to clarify Bullrich's remarks, with various high level officials refuting them. On 6 February, for example, Gonzales said that in the prison system in Buenos Aires province there are approximately 39,000 prisoners, of which only 190 are Bolivian. Pointing out that, of these, just 14 have been linked to narcotrafficking cases, Gonzales went on to accuse the Argentine government of seeking to stigmatise the Bolivian migrant community, describing the attempts to link it to narcotrafficking as "definitely an injustice".

With Argentina's ambassador in Bolivia, Normando Álvarez, since suggesting that Bullrich should apologise to Bolivians for her remarks and Gonzales telling reporters the Argentine government had recognised that "99% of Bolivian residents are employed in an honest profession in Argentina", tensions for the time being have been defused. The local press is also reporting that in the first half of March, a meeting will take place between Bolivia's new foreign minister, Fernando Huanacuni, and his Argentine counterpart, Susana Malcorra, to firm up the details for a meeting between Morales and Macri to take place "in the first half of the year".

Boosting cooperation

The recent flare-up of tensions over Bullrich's remarks come as bilateral relations have otherwise seemed strong. In October last year for example, the two sides announced a deal regarding permanent increased cooperation in the fight against drugs – and specifically the widespread use of airplanes by drug traffickers from Argentina and Paraguay into Bolivia. Meanwhile as regards energy – a traditional area of cooperation – on 7 February Hydrocarbons Minister Luis Alberto Sánchez announced that gas exports to Argentina would increase this year to 20.03m cubic metres of natural gas per day (mmcm/d) after sending between 12-19 mmcm/d in recent months.

Argentina was Bolivia's third-largest export market in 2016 on the latest figures from Bolivia's central bank (BCB), accounting for 11.2% of the country's US\$7.2bn total exports – after Brazil (18.9%) and the US (13.4%).

Remittances

According to the most recent figures released by Bolivia's central bank (BCB) on 20 January, Argentina was the third-largest source of remittances sent back to Bolivia in the first 11 months of 2016, accounting for 11.5% of the total US\$1.09bn received, after Spain (40.7%) and the US (16.0%).

Carnival overshadowed by violence**Temer attempts to discipline police force**

Since it is illegal for the police to go on strike in Brazil, officers who staged a nine-day walkout in Espírito Santo argued that their wives (who staged noisy protests across major cities) were striking for them. But this strategy might not have paid off. On 10 February, President Temer said the strike from police officers was “illegal” and “unacceptable” and that officers should not hold residents “hostage.” The government added there was no guarantee that police officers would receive an “amnesty” for going on strike. The state government is currently investigating 151 officers for inciting the civil action, according to a report published by local media outlet *Redação Folha Vitória* released on 14 February. If found guilty, they could face up to two years in prison.

At this time of year, Brazilians usually flock to the streets for Carnival. But last week, the southern state of Espírito Santo was mostly deserted, after police went on strike. In the absence of public security, between 4-12 February, 144 people were murdered in Espírito Santo. Reports of assaults, carjacking, looting and vandalism during the walkout also soared.

The recent scenes of extreme violence follow a wave of lethal prison riots which rippled through Brazil last month. Besides putting pressure on the government to tighten public security, the violence has also exposed flaws within the police force and called into question the way it is managed.

The disruption witnessed by residents in Espírito Santo throws the problems faced by police officers on a daily basis into sharp relief. Despite risking their lives to tackle insecurity, some officers feel undervalued by the state due to low pay and dangerous working conditions.

While it is technically illegal for officers to stage protests in Brazil (*see sidebar*), their wives and families staged demonstrations outside stations instead. “We decided to protest for them since our husbands don’t have a voice,” said one protestor in an interview with *BBC Brasil*. Besides not earning enough to provide for their families, the wives allege their husbands have to put up with sub-standard working conditions which endanger their personal safety. Some lack basic security equipment such as bullet-proof vests or are forced to drive poorly maintained cars, they said. Protestors demanded that the state increase police salaries by 43%, and make it safer for officers to go about their duties.

However, for Espírito Santo governor Paulo Hartung, who was receiving treatment for cancer when the strike broke out, raising police salaries is not an option now that the state is in the midst of a severe financial crisis. “The officers know the salary when they apply for the job, which is related to how much money the state can afford...when they ask for more money, they don’t have society’s best interests at heart.... Sometimes they don’t understand how much it costs to give them what they are asking for but they just think ‘the government will pay’,” he said in an interview with Brazilian daily *Folha de São Paulo*. With regards to protestors’ complaints about working conditions, Hartung later agreed to file a report about pressures faced by the police force for the next 60 days, but only after the violence had already broken out.

Hartung’s hard-line approach attracted widespread criticism. Brazil’s supreme court (STF) is currently investigating whether the police strike could have been averted through better communication with officers. In particular, Hartung’s decision not to increase police officers’ wages has been scrutinised. Far from increasing pay, police salaries have gone down in real terms over the last three years since they were not adjusted in line with inflation. The average police officer in Espírito Santo earns just R\$3,058 per month (US\$900), according to statistics released by the department of work and pensions; half of what their counterparts in the wealthier state of Brasília receive.

State prosecutor Luis Fernando Nogueira Moreira called the stand-off between police officers and public officials “calamitous”, and pointed out that the governor’s position to save money was illogical given that damage brought about by the strikes far exceeded the half a billion reais saved from

Uber's Brazilian expansion plans

In January, transport service Uber invested R\$200m (US\$62m) in São Paulo to build a new support centre, as it continues to grow its business operations in Brazil.

While Uber is the first and most successful transport app to break into the Brazilian market, concerns about the company's security could play into the hands of

competitors. Also in January, Chinese rival Didi Chuxing said it would invest more than US\$100m to grow rival transport service POP99. Other app-based transport services operating in the country include Brazil's Easy Taxi and Televo, India's WillGo and Spain's Cabify.

not increasing wages. During the eight-day police strike, businesses lost around R\$300m (US\$96.5m).

Besides the damage to the local economy, residents were unable to go about their day-to-day business. At the height of the protests, shops boarded up their windows after some got raided by opportunistic criminals; schools shut their doors; and public transport services ground to a halt. After the first few days of striking the government sent 3,130 men from the armed forces and special forces as reinforcements and three helicopters to restore a semblance of law and order in Espírito Santo.

By 12 February, the majority of police officers were back at work following a series of talks with state and government officials. Some had been rounded up by army helicopters and forcibly put back in their posts. However, no final agreement with the government was brokered, prompting fears of more unrest in future. Meanwhile, the wives of police officers continued to protest outside the stations. Police in other states, such as Rio de Janeiro, have already staged similar protests, prompting fears of more unrest in other parts of the country if more disgruntled officers choose to rebel against the state.

Uber under threat

Soaring demand for transport service Uber in Brazil's largest city São Paulo appears to have attracted some unwanted attention. Over the past year, criminals have increasingly been targeting the service, putting both drivers and passengers at risk.

On 1 February, a 31-year-old woman was the victim of an express-kidnapping attack in São Paulo. Having called for an Uber to drive her home, the woman began to look for the Hyundai Elantra the company had sent. As soon as she got into the vehicle, however, she noticed a man hiding behind her on the backseat. Another man soon climbed out of the boot and into the back seat. Then, after the car began to move, the driver picked up a third criminal en route to a local shopping centre, where the trio marched her to a cashpoint. Once there, she was forced to enter her PIN and withdraw the limit of R\$700 (US\$277). Dissatisfied with the amount, the criminals took her to a second cash point at another shopping centre where they managed to take another R\$2,589 (US\$841).

While the criminals were distracted by emptying her bank account, the woman ran to the female toilets where a stranger, noticing her distress, asked her what was wrong and called the police. Police are investigating whether the driver was complicit in the kidnapping and Uber have suspended him until a final verdict has been reached.

It is not just passengers who are at risk. Last September, Uber driver Osvaldo Luis Modolo Filho agreed to pick up two teenagers in the east of São Paulo. The pair did not pay for the service on account and agreed to hand over cash instead. Before the driver had a chance to charge them, the duo pulled out a pair of kitchen knives, stabbed their driver to death and then drove away with his car. Since then, another six drivers have been murdered on the job.

Moreover, the incidence of robberies for both passengers and drivers has rocketed. According to information obtained in a freedom of information request from newswire *Reuters*, the number of thefts reported in Uber vehicles rose tenfold between January and December 2016.

In a statement, Uber said they were committed to protecting their customers' safety. They pointed out that all their drivers had to pass a security check and were quality-checked by users through a ratings system. However, it is not always possible to do the same for passengers since those who pay by cash do not have to verify their identities in the same way as those who pay by card. To make up for this shortcoming, on 13 February, Uber announced that it would be mandatory for all passengers to enter their personal identity number (CPF) before accessing their services. They will also be piloting a scheme so that drivers can opt out of accepting passengers who pay by cash in some cities.

The price of copper

The price of copper has been consistently falling since mid-2014 as a result of the end of the commodities super-cycle. Last year Chile's national copper commission (Cochilco) projected that the average price of copper would be US\$2.5 per pound (lb). However, it remained below this benchmark trading at a six-year low for most of 2016. This negatively impacted on Chile's export revenues given that for every one-dollar fall in the price of copper Chile loses US\$128m in export revenue and US\$60m in tax revenues. Yet the silver lining of the La Escondida strike is that, after it was announced, the price of copper began rising in international markets, reaching US\$2.78/lb on 13 February, its highest price since May 2015.

La Escondida strike damages growth prospects

Miners at the 'La Escondida' mine, the world's largest copper mine located in Chile's northern Antofagasta Region, have gone on strike. The industrial action in demand of better pay and improved working conditions undermines Chile's economic growth prospects this year. This is a matter of concern for the government led by President Michelle Bachelet and the ruling leftist Nueva Mayoría coalition given that Chile is already experiencing a prolonged economic slowdown and that the country will be holding general elections in November.

The dispute at the mine, operated by Australian mining firm BHP Billiton, stems from the operator's failure to agree a salary increase with the mine's workers during collective salary negotiations. The Sindicato Escondida 1 (SE1) union has been demanding a 7% salary increase; a Cl\$25m (US\$39,000) bonus per worker; the provision of equal benefits to new employees as those enjoyed by long-time workers; and for work contracts to last three years.

Pointing to the recent slump in international copper prices (*see sidebar*), the mine's management said that it simply cannot meet the union's demands. After the last wage talks four years ago, for instance, workers got a bonus of US\$49,000 each, the largest in Chilean mining history, but copper prices were 42% higher then. Instead, the mine's management proposed freezing salaries this year and cutting some of the benefits enjoyed by workers but offering a Cl\$8m (US\$12,300) bonus per worker. The management also proposed that the contracts be valid for four years.

This was rejected out of hand by SE1, with its spokesperson, Jaime Thenoux, saying that the union would not accept anything less than the current deal. "They can't reduce our benefits!", Thenoux stated on 7 February as he announced that the union was abandoning the collective salary negotiations and moving to strike. The strike formally began two days later, on 9 February, when SE1's over 2,500 members refused to go to work after they unanimously voted in favour of the walkout. The union said that it was prepared to maintain its industrial action until its demands are met by the mine's management (reportedly the union is initially prepared to extend the strike for 60 days).

Given that La Escondida is the main driving force in Chile's key copper mining sector (which accounted for 10.3% of Chile's GDP in 2016), producing an average of 100,000 tonnes (t) of copper a month, the strike immediately became a concern for the government. Finance Minister Rodrigo Valdés warned that the suspension of activity at La Escondida would negatively impact on the already low level of domestic economic activity.

Underlining this risk, the latest monthly economic activity index (Imacec) released by Chile's central bank (BCCh) on 6 February showed that there was only a 1.2% increase in economic activity in December 2016. The December result brought the 12-month rolling Imacec increase to just 1%. Meanwhile the breakdown of the Imacec figures shows that mining-sector activity in the last month of 2016 declined by 3%. Even before the release of these figures, the BCCh had already revised down its GDP growth forecast for 2017 last year from the 1.75%-2.75% predicted in September to 1.5%-2.5% in December. The revision was primarily driven by the fall in mining activity, and it is now expected that the BCCh will have to cut its forecast for this year even further (*see below*).

The government is sufficiently concerned about the impact that the strike has produced that it has offered to mediate in the dispute. On 14 February, a

Boon for the Left

For the *Kirchnerista* Peronists, themselves facing a multitude of corruption cases in the courts, the chance to accuse the government led by President Macri of corruption is a welcome change. Soledad Sosa, a deputy for the Trotskyist Frente de Izquierda y de los Trabajadores (FIT), said a family-owned company was “usurping the finances of the state”; in her view Argentina had “a political regime that is using officials for personal enrichment”.

government spokesperson, Paula Narváez, announced that both the SE1 and the Escondida management had accepted the Bachelet administration’s offer to have the labour ministry act as mediator in the dispute. However, hours later the labour ministry issued a statement announcing the cancellation of an initial meeting between SE1 and the Escondida management representatives scheduled to take place on 15 February after the two sides failed to reach a pre-agreement over how the mediation is to work. It looks like the government has its work cut out.

ARGENTINA | POLITICS

Macri accused of conflict of interest

Public prosecutor Juan Pedro Zoni has asked a federal judge, Ariel Lijo, to investigate President Mauricio Macri, the communications minister, Oscar Aguad, and the head of the ministry’s legal department, Juan Manuel Mocoroa, on criminal charges relating to a debt write-down agreement between the government and a company owned by the Macri family. In an election year, the opposition has been quick to accuse the government of corruption and conflict of interest. But it is a complicated story and may not play out exactly according to the opposition script.

The 20-year story goes back to 1997 when the Partido Justicialista (PJ, Peronists) government under President Carlos Menem (1989-1999) privatised Correos Argentinos, the postal service. Socma, a company controlled by President Macri’s father Francisco, won the concession, but things did not go well. The government of the day said Socma had failed to pay the annual concession licence fee. Socma countered that it had made investments in lieu of the licence fee. Eventually the subsidiary holding the concession went bankrupt in 2001. It was reported to have closed down owing the state Ar\$296m, equivalent to US\$296m at the one-for-one peso-dollar exchange rate then in force. The postal service was renationalised without compensation in 2003 by another Peronist government under the late President Néstor Kirchner (2003-2007).

The amount owed remained in dispute during Kirchner’s presidency and that of his widow and successor Cristina Fernández (2007-2015): a total of 12 years. Then, in June last year, with little or no publicity, officials in Macri’s new government finally reached an outline agreement. The present-day value of the debt was put at US\$19.1m and the company was offered a deal to pay it off over 15 years at 7% annual interest. This led two separate prosecutors to cry foul.

The first, Gabriela Boquín, described it as a “ruinous” and “inadmissible” deal where there was a clear conflict of interest. Zoni has gone further, claiming the debt write-down could cost the Argentine state as much as Ar\$70bn (US\$4.43bn at current exchange rates). His calculations are not entirely clear: some sources say they are deliberately inflated and based on the view of two *Kirchnerista* lawyers. Given that Argentina has suffered bouts of hyperinflation, a massive debt default, and wild foreign currency oscillations since the dispute began, how to calculate the real value of the debt is a matter open to some debate.

What is not in dispute is that the story is going to play large in Argentina’s party politics. The government has sought to deflect it in various ways. Aguad has said President Macri had no involvement in negotiating the debt write-down. He accused Zoni of being politically motivated. If anyone was to blame it was the previous Peronist governments for failing to settle for 12 years, during which time inflation eroded the real value of the debt.

Cabinet chief Marcos Peña took a similar line, although he admitted that the government may have been naive in the way it handled the issue. Peña described the accusations as an attempt to “muddy the pitch in an electoral

Uruguay's gender unemployment gap

The latest unemployment report released by Uruguay's national statistics institute (INE) shows that there is still a considerable difference in the level of male and female unemployment. The report shows that, at 6.5%, the level of male unemployment is significantly lower than the female unemployment rate, which stands at 9.2%.

year". According to Peña the first prosecutor, Boquín, had been invited to technical meetings to give her view on the proposed debt repayment settlement but had failed to turn up, only to denounce the outline deal six months later, in December.

Left-wing, and some Peronist, deputies demanded that President Macri and Aguad appear before the federal lower chamber of congress to explain themselves, but failed to muster the necessary three-fourths majority to summon them to a special session.

TRACKING TRENDS

ARGENTINA | Union protests. Argentina's main trade union movement, Confederación General de Trabajadores (CGT), has called for a mobilisation against the government led by President Mauricio Macri on 7 March, and a general strike before the end of next month. The CGT accuses the business and industrial sector of failing to honour an agreement brokered by the labour ministry last November to avoid any lay-offs until this March. It blamed the government for failing to take the business and industrial sector to task.

The Macri administration has managed to avert a general strike in the 14 months since coming to power and will be acutely conscious of the damage that protests in March could do to the prospects of the ruling centre-right Cambiemos coalition just six months out from pivotal mid-term legislative elections. There is a lot at stake for Macri in these elections as he is determined to try and secure a majority in the federal congress, or at least reduce the power of the Frente para la Victoria (FPV, Kirchneristas) faction of the main opposition Partido Justicialista (PJ, Peronists), in order to advance his legislative agenda.

CHILE | Downbeat growth projections. Consensus GDP growth projections by local economists for this year were down to 1.9% from 2% previously, according to the January instalment of the monthly survey of economic expectations released by the Chilean central bank (BCCh) on 10 February. The downwards revision came as the economists surveyed by the BCCh calculated that economic activity in January had increased by a paltry 1.3%, just one percentage point higher than in December 2016. Based on this calculation, the consensus growth forecast for the first quarter of 2017 is now just 1.1%, three percentage points lower than in December 2016.

The factors behind this underwhelming level of economic activity in Chile were exposed by the latest report by the international trade relations general directorate (Direcon), released on 9 February, which showed that while the value of the country's agricultural and fishing exports increased by 11% in 2016 (to reach a record figure of US\$5.8bn), the value of copper exports once again fell (by 14%), resulting in the overall level of exports of US\$59.9bn, 3.7% lower than in 2015. On the bright side, the January BCCh survey found that the consensus now is for 2017 inflation to fall to 2.9%, well within the BCCh's target range of 2%-4%.

URUGUAY | Unemployment creeps up. On 8 February Uruguay's national statistics institute (INE) reported that the national unemployment rate in the country in December 2016 remained at 7.7%. This result was identical to the result registered the previous month but slightly higher than the 7.4% registered in December 2015. The result has fanned concerns about the loss of jobs in Uruguay amid the current domestic economic slowdown given that the 2016 year-end figure was the highest unemployment rate since 2008.

Nevertheless, the figure was welcomed by the national director of employment, Eduardo Pereyra, who said that at the start of the year the employment prospects seemed bleak but that the year ended "showing more stability". The 2016 unemployment rate, however, means that there was a net loss of 16,000 jobs in Uruguay last year.

Marijuana and poppy fields

On 4 February, the Sinaloa state authorities reported that the Mexican army had discovered a 15-hectare marijuana and opium poppy field during an anti-narcotics operation in the municipality of Mocorito. An official statement said that the field, located 150kms north of Culiacán, was discovered after being spotted by an army helicopter conducting a reconnaissance mission in the area. It added that the field, which had a sophisticated irrigation system, was split into a 10-hectare marijuana plantation and a five-hectare opium poppy plantation. The mountainous municipality of Mocorito is located in the so-called 'Golden Triangle' area, which cuts across the states of Sinaloa, Durango, and Chihuahua, and which has long been identified as a major marijuana and opium poppy production area.

Post-Chapo cartel violence on the rise?

With other issues to worry about, the last thing the government led by President Enrique Peña Nieto needs right now is an increase in violence between drug trafficking organisations (DTOs) across the north of Mexico. But that may be just what is beginning to happen, according to the defence minister, General Salvador Cienfuegos.

The authorities in Mexico's north-western state of Sinaloa have ordered an immediate increase in security surveillance operations in the state in response to an upsurge in violence in its territory. This comes amid growing concerns that Sinaloa is now providing the setting for a violent confrontation between rival drug traffickers all seeking to fill the power void in the state produced by the arrest of Joaquín 'El Chapo' Guzmán Loera, the former kingpin and leader of the Sinaloa/Pacífico drug trafficking organisation (DTO) extradited to the US last month. Following Guzmán's recapture last year, the authorities had warned that such an outcome was a distinct possibility and yet they appear unable to prevent this from happening.

Speaking over the weekend Cienfuegos warned that "In the absence of their leader, rival factions are fighting over who will control the organisation". In January, there were 116 homicides in Sinaloa state, up by 50% on last year's levels. A number of schools in the state were closed for part of last week because of security threats. The federal government said it was sending security reinforcements to Sinaloa.

Warnings that rival narcotraffickers would seek to gain control of the Sinaloa/Pacífico DTO and the large marijuana and opium poppy growing fields in the state of Sinaloa (*see sidebar*) were immediately issued following Guzmán's recapture in January 2016. However, the federal and state authorities said that they would take decisive actions to stop this from turning into a violent 'turf war'.

A sizable federal security forces contingent was deployed to the state of Sinaloa last year to help shore up public security and to hunt down Guzmán's potential successors to take over the helm of the Sinaloa/Pacífico DTO. The authorities said that this strategy was designed to avert a major confrontation between rival Sinaloa/Pacífico DTO factions in the state that would lead to generalised violence, as has been the case elsewhere.

The government's strategy initially appeared to work and against some predictions, the security situation in Sinaloa remained stable in the first months after Guzmán's arrest. But this began to change towards the second half of the year.

First came the reports of growing armed clashes between the federal security forces patrolling the state and lawbreakers, including some deadly incidents in which the security forces appeared to be ambushed by criminals. Then, when Guzmán's extradition to the US became increasingly likely towards the tail end of 2016, reports of armed clashes between rival criminal groups became common. The violence reached a high-point in early February when 12 people were shot dead in less than 24 hours. The fatalities came during two separate incidents that took place on 7 February.

Sinaloa security operation

Sinaloa's public security minister, Genaro Robles Casillas, said that, as part of the operations, federal security forces would conduct increased patrols across the state, while the federal attorney general's office (PGR) would assist local prosecutors pursuing wanted drug traffickers operating there.

In the first incident, five presumed criminals and one marine were killed when a group of unidentified men armed with high-calibre firearms (AK-47s and AR-15s) attacked a navy convoy while on patrol in the state capital, Culiacán, early on 7 February.

Hours later, another six people were killed in a second armed clash in the municipality of Navolato, located west of Culiacán. According to police reports, the Navolato shootout was a confrontation between members of two rival factions of the Sinaloa/Pacífico DTO that resulted in the death of two presumed criminals and four innocent bystanders (including a pregnant woman) caught in the crossfire.

The day after the killings, the Sinaloa state administration led by Governor Quirino Ordaz Coppel, who only assumed office in January after winning election last year, announced that with the help of the federal authorities it was increasing security surveillance across the state in a bid to contain the surge in violence (*see sidebar*).

Family feud widened

Security sources say the current battle within the Sinaloa/Pacífico DTO pits Guzmán's sons Jesús Alfredo and Iván Archivaldo on the one side, against Dámaso 'El Licenciado' López on the other.

In a hand-written letter delivered to Mexican journalist Ciro Gómez Leyva on 8 February, Guzmán's sons said that they and Ismael 'El Mayo' Zambada, the suspected current leader of the Sinaloa/Pacífico DTO, had arrived to attend a meeting with López in the Sinaloa municipality of Mocorito four days earlier, only to find it was an ambush. Gunmen opened fire and killed their bodyguards, but the two sons and Zambada were able to escape.

Beltrán Leyva Organisation struck

Separately, on 9 February, Mexican marines killed a top leader in the Beltrán Leyva Organisation (BLO) and 11 other gang members in two separate gun battles in Tepic on the Pacific coast, the capital of Nayarit state. In one of the encounters, a navy Black Hawk helicopter was deployed to machine-gun DTO members holding out in the upper level of a local house. One of the dead in that incident was Juan Francisco Patrón Sánchez, 'H2', reputedly the leader of the BLO in Nayarit and parts of Jalisco. Another leader, Daniel Isaac Silva, 'H9', was also killed.

The leader of BLO, Alfredo Beltrán Guzmán (who is reportedly El Chapo's nephew) was captured two months earlier in Guadalajara. The Sinaloa and BLO DTOs were onetime allies but have also fought each other for control of territory. The danger for the federal government is that a new round of turf wars could once more lead to a spike in violence across important parts of the country. Homicide rates rose by 22% last year, and could continue on an upward trend in 2017.

MEXICO | POLITICS

PRD suffers desertion to Morena

Miguel Torruco, the tourism minister of the Mexico City municipal government (CDMX), has tendered his resignation. A member of the left-wing Partido de la Revolución Democrática (PRD), Torruco has been clear that he decided to leave his post to become an adviser to Andrés Manuel López Obrador, the leader of the radical left-wing Movimiento Regeneración Nacional (Morena) party. As such, Torruco's departure is another painful blow for the PRD, suggesting that it is losing further ground to its rival on the Left ahead of the 2018 general elections.

López Obrador

The leader of Morena and early frontrunner in Mexico's 2018 presidential elections, Andrés Manuel López Obrador, began a tour of the US on 12 February by rallying supporters in Los Angeles, before moving on to Laredo, El Paso, San Francisco and New York, to speak to Mexican migrants. López Obrador, who has said he would work to defend Mexican migrants in the US by creating a Frente Cívico en Defensa de los Migrantes, criticised President Trump's anti-immigration rhetoric. "When they want to build a wall to segregate populations, or when the word 'foreigner' is used to insult, denigrate and discriminate against our fellow human beings, it goes against humanity, it goes against intelligence and against history," López Obrador said.

The circumstances under which Torruco, a respected tourism sector entrepreneur and academic with no formal political party affiliations, resigned are unclear and still subject to some debate. This revolves around whether the minister chose to leave on his own accord or whether he was forced to resign by Mayor Miguel Angel Mancera, a prominent PRD figure and potential presidential candidate for the party.

The departure came after the local daily *El Universal* revealed that Torruco was one of a number of well-known public figures including business leaders, politicians, academics and intellectuals who had agreed to form an advisory council for López Obrador (*see sidebar*) as part of his ongoing national pre-electoral presidential campaign.

Soon after the publication of the *El Universal* report, Mancera told reporters that the municipal government needed "full time" officials and not "people that dedicate part of their time to doing things that are not within their remit". Within minutes of Mancera's statements, Torruco announced via *Twitter* that he had tendered his resignation.

While Torruco said that he was leaving on good terms with Mancera, in a series of ensuing interviews, the former minister has been clear that his decision answered to the fact that he believes that López Obrador and Morena have "the best political project" for Mexico, and that he would now dedicate himself to this full time.

Torruco's remarks will be galling for the PRD, and especially for Mancera. They show that he and perhaps other prominent PRD supporters have no confidence in the party's political project and its leaders. There is a fear that the PRD could haemorrhage politicians and supporters to Morena in the months leading up to general elections in 2018.

Waiting for the deportations

There were conflicting accounts this week on whether the promise by the US administration led by President Donald Trump to step up the deportation of undocumented Mexicans living in the country had begun. On 13 February Mexican Foreign Minister Luis Videgaray said the number of deported Mexicans was following the same trend as last year, but that Mexican consulates in the US were receiving three times more daily phone calls from worried citizens. There were, however, reports that approximately 700 immigrants had been arrested in the states of North and South Carolina, Georgia, New York, California, Illinois and Texas.

President Trump had tweeted on 12 February that "The crackdown on illegal criminals is merely keeping my campaign promise. Gang members, drug dealers, & others are being removed!" Despite that, the US Immigration and Customs Enforcement (ICE) had described the arrests as no more than "routine".

Various Hispanic organisations did say that ICE was changing its tactics, returning to an earlier practice of not only targeting specific individuals, but also arresting others encountered along the way. In one particularly significant raid, in Seattle, ICE agents arrested Daniel Ramírez Medina, a 23-year old Mexican who had entered the US illegally as a child but had subsequently been given a work permit under the Deferred Action for Childhood Arrivals (DACA) programme rolled out by the administration of Barack Obama, designed to allow an estimated 750,000 people in his situation, also known as 'dreamers', to study and work in the US. His arrest is being challenged in the courts. ICE reportedly accuses him of gang membership, which his lawyers deny.

The Mexican government said it would support Ramírez's legal defence. "We are worried by this case, because these young people have an adequate legal status [to be in the US]," said Carlos Sada, Mexico's deputy foreign minister with responsibility for North America.

War on *mara* gangs extended

The 'extraordinary measures' to combat El Salvador's *mara* street gangs rolled out by the government led by President Salvador Sánchez Cerén last April will be extended until April 2018. There was cross-party backing in the legislative assembly for the extension, which also won support from the Catholic Church and even the human-rights ombudsman. The government has attributed a dramatic fall in violent homicides to the measures but there is serious concern from some social organisations, and among international observers, that a planned strategic shift to enlist the support of local communities against the *mara* gangs could lead to heightened violence and an increase in human-rights violations.

The government claimed the effectiveness of the 'extraordinary measures' could be seen in the 65% decline in homicides in January compared with a year earlier. The total of 256 in January this year was the lowest monthly homicide figure since the ill-fated truce with the *mara* gangs in 2012 (*see sidebar*).

The legislative assembly voted to extend the 'extraordinary measures' on 9 February with the support of 73 deputies in the 84-seat body. The measures were designed to reduce unprecedented levels of violence in the country by tightening security in El Salvador's prisons, cutting communications between imprisoned leaders of the Mara Salvatrucha (MS-13) and the two factions of Barrio 18 (Revolucionarios and Sureños) and junior operatives on the outside. The government also established an elite 1,000-strong special reaction force (Feres) last May to combat the *maras* in more rural areas to try and take back control of national territory.

The director of the national police force (PNC), Howard Cotto, said last week that the priority in 2017 would be "territorial control", a view that was echoed by his predecessor, the incumbent justice and security minister, Mauricio Ramírez Landaverde. "We don't have to be afraid of organising citizens to assume a security role because [behind this lies] the hope of escaping the difficult situation which we are stuck in," Cotto said. Landaverde said that the new strategy of using the public in public security had been implemented in different (unspecified) areas already. He said various communities are "taking the lead in security...develop[ing] their own security plans, and the police are just another layer of support". Landaverde said that it was "a work in progress", adding that "what we have to do is give them more tools, more materials, more support, so that community organisation can improve security". Landaverde did not clarify whether 'tools' meant 'weapons', precisely what 'materials' would be supplied, and whether 'support' would include financial backing.

As if the increased militarisation of public security in El Salvador was not controversial enough this latest proposal appears to advocate the creation of groups of vigilantes, along the lines of the so-called 'self-defence groups' in Mexico, endangering the lives of members of the public by setting communities against the *mara* gangs. But there are also numerous disturbing precedents of vigilante groups in Latin American history going on to become criminal organisations themselves.

Widespread support for extraordinary measures

The human-rights ombudsman, Raquel Caballero, expressed support for the extension of the extraordinary measures provided that "the actions of police

Homicides

The decline in homicides in El Salvador in the whole of 2016 on the previous year was 20.7%, although with a homicide rate of 81.7 per 100,000 inhabitants it remained the second most violent year after 2015 since the country's 12-year civil war (1980-1992).

No gang talks

The extension of the 'extraordinary measures' amounts to a decisive rejection of the unprecedented talks offered by the MS-13 gang last month with a view to disbandment [WR-17-02]. The technical secretary to the presidency, Roberto Lorenzana, said the proposal by the gangs demonstrated that they were "desperate" because the government's security strategy was working.

and soldiers are in strict accordance with the rule of law". While Caballero did mention the need to place greater emphasis on crime prevention and reinsertion of *mara* gang members in society, she said the extraordinary measures were backed by the public and that "we agree with the need to provide the state [with] the necessary legal tools to combat the actions of criminal and illegitimate groups". The archbishop of San Salvador, José Luis Escobar Alas, concurred, saying the measures "should continue". Only the evangelical and Lutheran churches opposed the measures, supporting the relatives of gang members in urging the legislative assembly not to approve their extension because of the violation of human rights.

There were very few dissenting voices within the legislative assembly. A handful of deputies from the main right-wing opposition Alianza Republicana Nacionalista (Arena) raised concerns about the violation of human rights. Arena deputy Johnny Wright said it was "outrageous that our country, which currently presides over the UN human rights council, is employing extraordinary measures that violate human rights on a daily basis". Wright said he was not "defending the rights of murderers" but "new victims" created by the government, youths that had been imprisoned for no reason and with no evidence.

Arena deputy Rodrigo Ávila, speaking during a meeting of the congressional public security commission and the national citizen security council (CNSCC), argued that while the number of homicides might have fallen, there had been no reduction in membership of *mara* gangs and the level of extortion by the gangs had doubled.

Ávila, a former PNC chief, cited the example of the western department of Sonsonate which, according to local authorities, has seen no homicides in 2017 despite being considered one of the most violent previously. "We'll keep things nice and calm but charge twice the extortion rate," Ávila quipped.

TRACKING TRENDS

DOMINICAN REPUBLIC | Economy booming; some clouds on the horizon. The Dominican economy grew by 6.6% in 2016, making it one of the few Latin American economies in the fast lane. Indeed, it was the fastest growing economy in the region for the third consecutive year. The International Monetary Fund (IMF) heralded the "robust" GDP growth after concluding an 11-day visit to the country on 13 February.

But the IMF did issue a stark warning: reduce spending or increase taxes. The IMF said that the government has resorted to taking on foreign debt to fund growing spending and public works construction but that "ambitious structural reforms" were necessary "in a fragile external environment". It urged "a strong fiscal adjustment... to secure debt sustainability [and] a comprehensive reform to broaden the very narrow tax base".

NICARAGUA | Trade deficit balloons as exports slump. Nicaragua registered a trade deficit of US\$3.23bn in 2016, up 7.1% on the previous year, according to the country's central bank. While imports increased ever so slightly, by 0.3%, to US\$5.45bn, exports slumped by 8.1% to US\$2.22bn due to an adverse external environment, the central bank reported, although it could largely be attributed to the economic travails of Venezuela, which fell from being Nicaragua's second largest export market to its fourth. Venezuela is one of a select few export markets upon which Nicaragua is heavily reliant. Just five countries absorbed 68.9% of the country's exports in 2016: the US (42.4%); El Salvador (11.3%); Costa Rica (6.1%); Venezuela (5.1%); and Guatemala (4%).

The Nicaraguan government projected GDP growth of between 4.5% and 5% in 2016 and has forecast similar growth in 2017, with inflation of between 5.5% and 6.5%.

POSTSCRIPT

Quotes of the week

“I think the wall and the demagoguery of patriotism are no match for the dignity and humanity of the American people.”

Mexico's early presidential frontrunner, Andrés Manuel López Obrador, during a tour of the US.

“There is no space for dialogue or truces; no other way but war.”

El Salvador's President Salvador Sánchez Cerén, promising to deliver “a more secure country”, on the mara street gangs.

“The world presents enormous challenges right now, as big as the mountain range that separates us, and we have to think how we are going to...transform them into opportunities for our people.”

Argentina's President Mauricio Macri during an official visit to Chile this week.

Petroecuador verdict spices up Ecuador's elections

On the eve of Ecuador's general elections on 19 February, a local court has convicted the fugitive former hydrocarbons minister Carlos Pareja Yannuzzelli and another 15 defendants of forming part of a corruption network at the state-run oil company Petroecuador. Corruption has been the predominant issue in the election campaign, with the political opposition desperate to land some blows on the presidential candidate for the ruling Alianza País (AP), Lenín Moreno, particularly as his running mate, Jorge Glas, taking a leave of absence from his position as vice-president in the government led by President Rafael Correa, has been implicated in the Petroecuador scandal.

Pareja and Alex Bravo, a former manager at Petroecuador, along with eight other former officials at the company, were sentenced to five years in jail by a court in the province of Pichincha. A further six, including relatives of Pareja and Bravo, were sentenced to two-and-a-half years in prison. Two defendants were cleared of corruption charges. The convicted felons were ordered to repay US\$25m in compensation for funds amounting to at least 10 times this amount which they embezzled from Petroecuador, principally kickbacks for refurbishment of the company's Esmeraldas refinery between 2008 and 2015, stashed in Panamanian bank accounts. Lawyers for Pareja and Bravo said their clients would appeal the ruling.

Pareja claimed shortly before the second presidential debate on 5 February that nothing went on at Petroecuador without Glas knowing about it [[WR-17-05](#)]. This prompted two opposition candidates running for seats in the national assembly to call on the attorney general's office this week to include Glas in the investigation into wrongdoing at Petroecuador, something which was swiftly seconded by Guillermo Lasso, the presidential candidate for the opposition Movimiento Creo (Creando Oportunidades). Lasso, who was running second in the latest opinion polls behind Moreno, tweeted that Glas was “politically responsible for what happened at Petroecuador”. Glas took to *Twitter* himself to accuse the opposition of mudslinging in an attempt to damage the AP's re-election bid. He promised to take legal action after the elections.

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