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Argentina's Macri sets sights on congressional victory

President Mauricio Macri faces a fight against time to provide a significant number of Argentines with some respite from their grim economic reality if he is to save his government. The Macri administration is making a concerted effort to reduce the pain of fiscal adjustment, without sacrificing its overall economic plans, in order to try and boost the presence of the ruling Cambiemos coalition in the federal lower chamber of congress and senate in October's elections. Any electoral setback could spell the end for the tripartite Cambiemos and leave Macri a lame duck for the remaining two years of his term in office.

When Macri assumed power in December 2015 his government's aim was to restore economic growth and bring inflation under control before the end of 2016. A combination of an adverse external economic environment and internal policy miscalculations have conspired against this – with potentially serious political consequences. Voter patience is not an enduring commodity. There was a tacit understanding among many Argentines that Macri's government would need some time to reform the unsustainable economic policies bequeathed by his predecessor Cristina Fernández (2007-2015). But that was 16 months ago. They expect to see results now, especially if Cambiemos hopes to win their vote in October.

The problem for Macri is that while his government has planted the seeds of economic growth, their germination has been slow. It takes some time for the impact of economic growth to be felt by the public and there is a strong chance that this will not happen before October, especially with inflation still unrelenting. As such, Macri is pursuing a different strategy: slow down the fiscal adjustment without compromising his government's overall plan of reform; and step up social welfare schemes and public investment. This is all the more important after a report presented on 9 March by the prestigious Universidad Católica Argentina (UCA) showed that urban poverty had increased since Macri came to power.

Compounding Macri's problems is the fact that teachers' unions, who are closely aligned with Fernández and her Frente para la Victoria (FPV, Kirchneristas) faction of the opposition Partido Justicialista (PJ, Peronists), are on strike, and Argentina's main trade union movement Confederación General del Trabajo (CGT) has mobilised and is threatening to follow suit. The unions are demanding higher wages in collective salary negotiations with employers than the ceiling of 20% set by the government to reflect annualised inflation in excess of 37%. But the government suspects that electoral motivations lie behind the protests.

"We had a very difficult first year and the unions accompanied us," the interior minister, Rogelio Frigerio, said. "I don't understand why those that

Agriculture

"I strongly believe that the countryside is Argentina's great engine," President Macri said at ExpoAgro 2017. He said that this year was "a record in wheat production, the purchase of agricultural machinery and the use of fertilisers". The biggest wheat harvest since 1810 is being predicted for the 2016/2017 crop year by the agriculture minister, Ricardo Buryaile: 18.39m tonnes. The president of the farmers' union Sociedad Rural Argentina (SRA), Luis Miguel Etchevehere, said "the government believed in the countryside [removing export tariffs] and the countryside responded the way we know how: investing, producing more and creating jobs. We anticipated that this would happen". But sceptics point out that even after raising its prediction for the size of the wheat harvest by 1m tonnes last week, the US department of agriculture (USDA) is still only predicting a wheat harvest of 16m t in Argentina; the Buenos Aires grain exchange, 15m t.

accompanied us through the tough times are now going on strike and staging mobilisations," he said, adding "I suspect a link to the electoral year". Frigerio blamed the unions for creating instability and deterring investment. "There are leaders who want this government to end...for whom the worse things go for Argentina, supposedly the better off they will be," he said elliptically.

There is a strong chance Frigerio was referring to Fernández. In an article published in the national daily *La Nación* on 12 March entitled 'An offensive to destabilise Macri', the columnist Joaquín Morales Solá argued that Fernández was orchestrating opposition to the Macri administration through allies in the teachers' unions and by healing a long rift with the CGT. "Cristina has become the most directly de-instituting ['destituyente', seeking to remove from power] political figure since 1983 [the return to democracy]," Solá argued.

Poverty

Strike action by the CGT would hurt the economy. It could also affect Macri's reputation for competent consensus-building. But the UCA report, 'Poverty and inequality by earnings in urban Argentina 2010-2016', is arguably more damaging. Macri maintains that poverty surged under 12 years of Kirchnerista governments (2003-2015), and that official figures (inflation and poverty) were manipulated by the discredited national statistics institute (Indec). Throughout these years of statistical obfuscation, however, UCA was widely seen as a beacon of credibility. So when it reported that poverty increased by 3.9 percentage points in the third quarter of 2016 on the end of 2015 when Macri took office, reaching 32.9%, it made for grim reading for his government. This is up by 1.5m people to 13m, and the highest level of poverty since 2010.

"A large part of the Argentine population faces exclusion," Agustín Salvia, the director of investigation at UCA, said while presenting the results. "Something more than economic growth is needed," Salvia added, in order to combat poverty. In addition, according to UCA's calculations, 2.7m Argentines fell into extreme poverty, or indigence, over the period in question: this is up by 600,000, from 5.3% to 6.9% of the population. The UCA report argued that the increase in utility prices, low private investment, the lack of recovery in the employment market, and the Macri administration's anti-inflationary policies had created "an even more recessive" scenario than previous years. The study was based on a sample of 5,700 homes from 17 urban areas nationwide.

Macri recognised that poverty was "very high", during ExpoAgro 2017 held in San Nicolás in Buenos Aires province. "We have stopped hiding our problems, starting with the most important which is the exceptionally high level of poverty," he said. Macri said the success of his government should be judged on whether it reduced poverty at the end of four years. He also pointed out that there had been five straight months of economic growth, and noted that the UCA report showed improvement over the second half of last year. The UCA report said that most of the damage was done by the "recessive and inflationary shock" of the first quarter of 2016 when poverty hit 32.6% but this received far less media coverage than the headline figure of 32.9% reached half a year later. More than 40 social organisations staged protests against poverty on 15 March, blocking major arteries into the city of Buenos Aires.

Salvia said the problem of poverty was "structural". He said it was encouraging that Macri had set the objective of zero poverty, and was publishing official statistics, but ultimately it was not an issue that could be resolved in a single presidential term and required a long-term state policy. He said there was a lack of long-term development policies at a national or a regional and local level, or measures to support the productivity of small and medium-sized enterprises.

The trouble for the government is short-term: that there is no tangible evidence which it can present to the public to show that its economic adjustment and anti-inflationary policies are working. The consumer price index (CPI) in

Carrió

Speaking during ExpoAgro this week, Elisa Carrió came out in President Macri's defence over the latest poverty figures: "I think that the mistakes the President has made from time to time are born out of praiseworthy personal intentions, which were to lower the deficit, but in the situation of terrible poverty that the country is in it is not possible to improve the deficit". Carrió said the deficit could be reduced through "the enormous savings on corruption". She also blamed the opposition PJ, especially the FPV, for deterring investment through its lack of predictability, before confidently asserting that "If we win the next elections [this October] investment in 2018 will be enormous, but besides that we could be growing at 6.6% this year".

Greater Buenos Aires, a proxy for the national figure, increased by 2.5% in February, according to the revamped Indec. The figure was almost double the CPI recorded in January (1.3%), due primarily to an increase in electricity prices announced in late January. Core inflation was 'only' 1.8% in February but with more utility, and fuel, price increases in the pipeline, the central bank's target of annual inflation between 12% and 17% looks like a distant prospect.

Inflation will jump again in April after the energy minister, Juan José Aranguren, announced on 12 March that gas tariffs would go up by between 30% and 40% on 1 April. But in a bid to lessen the pain, Aranguren revealed that gas tariffs would be raised in three stages. The second stage will be November – immediately after the elections – and the third this time next year. Aranguren conceded that there would be an "impact on the pocket of ordinary Argentines after a decade in which the tariff system gave the impression that energy was free, which was a complete illusion, because we are paying out of a fiscal deficit that is then transformed into inflation". He said that raising tariffs was essential to attract investment to the energy sector to upgrade deficient infrastructure.

Aranguren admitted that "telling the truth has a cost". Macri has sought to mitigate this cost with gestures in the social welfare sphere and public investment. On 11 March Macri announced the expansion of Plan Procrear, a social housing programme launched by the Fernández administration in 2012 and broadened last year, with a budget of AR\$50bn (US\$3bn), 60% of which will be provided by the central bank. Macri said the "historic" and "marvellous" expansion of the scheme would benefit those unable to raise credit to purchase their own house.

Electoral challenge

It was no surprise that Macri chose the province of Buenos Aires (San Miguel) to launch the scheme. The most populous province in Argentina, it will be a crucial battleground for Cambiemos in October, being one of the eight provinces where senate seats will be renewed, and the biggest supplier of seats to the lower chamber; the incumbent governor, María Eugenia Vidal, represents Macri's ruling centre-right Propuesta Republicana (Pro) party. If Macri wants to keep Cambiemos together for the remainder of his term (the Pro's largest ally, the Unión Cívica Radical [UCR], has complained about a lack of consultation surrounding government policy) let alone run for re-election in 2019 he must win a stronger congressional presence at the expense of the FPV.

A total of 127 (out of 257) seats in the lower chamber will be renewed in October. Of these, 35 deputies will be elected in Buenos Aires province and 13 in the Capital Federal, key areas of influence for Macri. Eight provinces – Buenos Aires, San Juan, San Luis, Formosa, Misiones, Santa Cruz, Jujuy and La Rioja – will also elect 24 senators (three apiece). In the lower chamber Macri's Cambiemos will see 41 of its 87 seats up for renewal, and is hoping to add 13 to finish with 100. Buenos Aires province will be key as Cambiemos is only defending four of 35 seats up for grabs. Cambiemos has just 15 senators in the 72-seat senate but only three of its seats are up for renewal; 14 of the 24 seats being contested are held by the opposition FPV.

At present Macri's most important ally is Elisa Carrió, the leader of Coalición Cívica (CC), the third member of Cambiemos (*see sidebar*), who is expected to run for a seat in Buenos Aires province. Carrió might be a political liability at times for Macri but she is one of Argentina's most respected politicians who gains significant media coverage. She has come out firmly behind the government in its salary dispute with teachers' unions in Buenos Aires province, widely interpreted as a showdown with Kirchnerismo. She supported the provincial government's decision to deduct pay for striking teachers, who she urged to put "the future of our children and grandchildren uppermost", arguing that "we would be living in Venezuela now if Macri had not won".

Temer's reform agenda under attack

This week, anti-government demonstrators staged protests in 23 of Brazil's 27 state capitals against an upcoming pensions reform, a key part of the government's austerity agenda. They were organised by Brazil's largest workers unions such as CUT and CTB plus social rights movements such as the Movimento Sem Terra. Besides being extremely unpopular, Temer's proposal to increase the age of retirement has been met with fierce resistance by some members of congress. His support base in congress could decline now that several of his key allies, including the heads of the upper and lower chambers have been named by prosecutor Rodrigo Janot in 'Operation Car Wash,' reported *TV Globo*.

Janot takes 'Car Wash' to next level

This week, Brazil's attorney general Rodrigo Janot finalised a long-anticipated list of leading congressmen and politicians wanted for corruption stemming from a graft scheme linked to construction company Odebrecht. Based on his findings, Brazil's supreme court (STF) will open another 83 enquiries and pass 211 proceedings down to lower courts, as part of the explosive anti-corruption investigation 'Operation Car Wash'.

Janot's list implicates key figures from Brazil's three main political parties and has sent shivers through Brasília. In theory, those named on the list are protected by judicial secrecy until STF judge Edson Fachin releases over 500 gigabytes of footage from 77 former or current Odebrecht employees. In practice, some names from Janot's list have already been leaked to the press.

Sources heard by broadcaster *TV Globo* confirmed that five of President Michel Temer's cabinet ministers, six leading federal senators (including presidential hopeful Aécio Neves) and two former presidents, Lula da Silva (2003-2011) and Dilma Rousseff (2011-2016), all feature on Janot's list, along with 60 others.

In an interview with *Reuters*, Janot did not confirm or deny the names listed above but said the STF should lift the seal of secrecy relating to the 'Car Wash' investigation imminently since they are in the public's interest. In a letter to prosecutors, Janot added that the testimonies he had compiled painted a "sad" portrait of a democracy under attack by corruption.

Supreme court mulls Janot's evidence

For the time being, those curious to find out what the fate of Janot's list of suspects may be will have to sit tight and wait for the STF to disclose the full evidence. No one knows how long this could take, let alone when a verdict on the case could be expected. Brazil's 11 STF justices already have a huge backlog of work and still need to finish working through another round of anti-corruption investigations which Janot delivered in 2015 that has not yet resulted in a single conviction.

Sceptics argue that unless the STF begins to operate more transparently, Brazil's 'Operation Car Wash' could be put on hold indefinitely. The STF is "too slow, which could be another way for politicians to get off the hook," argues *Rede Globo* columnist Helio Gurovitz. "The STF needs to learn to work faster especially on a case which has such huge implications like 'Car Wash'," he added. Moreover, two STF judges are due to retire in the next two years which could delay proceedings even further.

The impartiality of STF justices has also been called into question. On 12 March, President Michel Temer invited STF justice Gilmar Mendes for a secret meeting at the Jaburu palace, according to news site *O Estado*. The timing of Temer's meeting with Mendes, precisely when the STF is assessing his impeachment, is eye-catching. Two days later, Temer appointed Mendes' cousin, Francisval Dias Mendes to become the head of the Agência Nacional de Transporte Aquaviário (Antaq).

Fifty shades of corruption

One of the main reasons why so many politicians and congressmen have become ensnared in 'Operation Car Wash' is that taking illicit donations

Brazil's suitcase-gate

Police in Rio de Janeiro have seized around 40m Venezuelan Bolivares, (US\$4.1m) from a favela, some of which was stashed in a suitcase. Police are still investigating how the money got there. One theory is that Venezuelan drug gangs are doing more business with their Brazilian counterparts.

from companies like Odebrecht for political campaigns used to be common practice. This includes millions of reais allegedly donated to the Rousseff-Temer ticket in 2014.

Now, in a thinly-veiled attempt to ward off judicial enquiries, members of congress, many of whom have been named in 'Operation Car Wash', are pushing for an amnesty to absolve those accused of accepting illicit campaign donations. Discussions about the amnesty for certain kinds of political donations regained momentum after former senator Valdir Raupp was accused of accepting a bribe worth R\$500,000 on behalf of a campaign for the ruling Partido do Movimento Democrático (PMDB) party.

For leading prosecutor Deltan Dallagnol, however, the definition of corruption is non-negotiable. "Either money comes from a corrupt source or it does not," he told *Globo*. "Congress wants to create an amnesty for corruption."

In a move which has stunned prosecutors, STF justice Gilmar Mendes later undermined Dallagnol's claim, saying that accepting unregistered money from companies for political campaigns "does not necessarily constitute an abuse of economic and political power," he said in an interview with *BBC Brasil*. He then called for greater clarity about the way electoral campaigns are financed so congressmen and politicians do not repeat the same mistakes by accepting illicit donations for the upcoming 2018 elections.

Brazil's embattled leaders run for the hills

President Michel Temer and the leader of the opposition, former president Lula da Silva, may have more in common than they would like to admit. At a time when corruption allegations threaten to curtail both their political ambitions, they have decided to take a break from Brazil's capital and jet off to the other side of the country.

In the race to escape Brasília, Temer and Lula are rallying to gain support in the North-East. Temer gained a head start when he touched down in Paraíba on 10 March – nine days before Lula is scheduled to arrive. There, Temer inaugurated a ceremony to reroute Brazil's longest river, São Francisco, to improve water provisions in an area plagued by frequent droughts. "I hope in eight months time I can come here again and see that all Paraíba is irrigated, filled with water, maybe even see a flood," he joked.

Lula, who started work on the irrigation project in 2007 was not amused and accused Temer of taking the credit for his own initiative. Lula is due to visit Paraíba on 19 March as part of his 2018 presidential campaign.

While Temer beat Lula in getting to Paraíba, he is struggling to keep up with the leftist leader's popularity. His speech was interrupted by a group of anti-government campaigners calling for Temer's ouster. Luckily for Temer, his team had brought a large sound system to drown them out.

Not everyone is supportive of Lula's trips to the North-East either. Some say he should be focusing on his defence case while others wonder whether he should withdraw his candidacy for the leftist Partido dos Trabalhadores (PT) party altogether.

Back in Brasília this week, Judge Ricardo Augusto Soares Leite from Brazil's federal court began hearing Lula's defence case for allegedly obstructing the course of justice by offering bribes to the former CEO of the state oil company Petrobras, Nestor Cerveró, to dissuade him from speaking to prosecutors. Lula defiantly denied all charges, telling the court "those who are born in the North-East and didn't die when they were five years old aren't afraid when things get ugly."

Lula was given a boost on 3 March, however, when leading judge Sérgio Moro shelved corruption allegations against his wife, former first lady Marisa Leticia da Silva, who passed away last month. "We should remember the presumption of innocence unless proven guilty. There has been no criminal condemnation so she should be seen as innocent," Moro said.

Del Dicho al Hecho

A report by local democracy and government transparency advocacy group Del Dicho al Hecho, released to mark the start of President Bachelet's final year in office, found that her current administration has only fulfilled 48% of its 172 electoral promises to date. The report rates the level of consistency between Bachelet's electoral promises and the 118 related initiatives taken by her administration 2.5 out of 4. In the area of education, the government has fulfilled 73% of its pledges but achieved a level of consistency of 3.3. Meanwhile in the area of strengthening democracy – which includes the pledge of constitutional reform amongst other others – 57% of the pledges have been fulfilled but the level of consistency is only 2.4.

Bachelet tries to stay positive

President Michelle Bachelet's first term in office (2006-2010) was marked by optimism as she set about implementing some ambitious social and political reforms to shake up Chile's social and political structure, but her second term has been marked by a reigning sense of stagnation. Bachelet's promise to push through significant changes led to her re-election. But although during her re-election campaign Bachelet promised to 'finish the job' and deliver further reforms, her plans this time around have been scuppered by a slowing domestic economy, a series of natural disasters, and corruption scandals that have affected the business and political elite. **Bachelet remained positive at the start of her final year in office but she had scant reason for optimism.**

"Although we know that a lot remains to be done, we are optimistic," President Bachelet said in a recorded video message released on Chilean social media on 11 March to mark the start of her final 12 months in office. She went on to say that "when I assumed office as president of Chile [for the second time in 2014] I knew that it was inevitable to make the changes demanded by citizens. In that sense, urgency has always been at the heart of our actions as a government over these past three years." Bachelet argued that on the back of this her Nueva Mayoría leftist coalition government had succeeded in advancing with its objective of promoting a "coherent" economic development that provides increased "protection and more opportunities for all, guarantees inclusion and citizens' rights, [and] strengthens democracy".

Bachelet highlighted the approval of some reform initiatives such as the 10% increase in the basic state pension; the creation of a fund for high-cost medical treatments; and the approval of civil unions for same-sex couples as evidence of her claims. However, the reality is that these initiatives are only secondary promises in Bachelet's campaign manifesto and so far her government has failed to deliver on some of her main campaign pledges: an education reform that would make education provision from primary to university level free for all; and a comprehensive reform of the 1980 national constitution in order to introduce provisions to reinforce democracy and make Chile's political system more representative.

Reforming the constitution drafted under the military dictatorship led by General Augusto Pinochet (1974-1990) has long been a goal of Chile's Left. Meanwhile free universal education became one of the major demands of the protests organised by students during Bachelet's first term in 2011 and that continue to spark mobilisations to date. But although the Bachelet government has tabled these initiatives in congress, they have suffered significant setbacks. The constitutional reform has encountered stiff resistance from the political opposition, which has included legal challenges that have prevented it from progressing and leading the government to resort to a protracted process that would only conclude next year.

Meanwhile the inescapable problem of trying to finance free education at a time when Chile's domestic economy continues to suffer from the effects of the end of the commodities super-cycle has forced the Bachelet administration to conduct only a piecemeal reform (to date introducing free provision at the primary and secondary level), which has left students dissatisfied. Pushing through any meaningful initiatives to make up for these shortcomings in the next 12 months will be a tall order, given that economic growth is stagnant and various corruption scandals (in which her family has been implicated and which continue to proliferate) have eroded Bachelet's political credibility.

Almagro calls for a full general election**Club of dictators**

“I am absolutely convinced that the Heads of State and Government in the Americas share my conviction that this is the continent that believes that Videla, Gregorio Alvarez, Pinochet, Fujimori, Pérez Jiménez, Noriega, Trujillo, the Duvaliers, Stroessner, Somoza, and so many others, are not only footnotes but instead, represent a tragic dimension in the history of our countries. This is the destiny of Nicolás Maduro and Diosdado Cabello.”

– *OAS Secretary General Luis Almagro makes clear his view of the Venezuelan leadership.*

“Venezuela stands out in the region as the only former democracy to have spiralled down into an unrestrained authoritarianism. This is a reality that we must be willing to acknowledge, not in hushed voices or behind closed doors, but out loud, on the record, in public.” This emphatic statement was made by the secretary general of the Organization of American States (OAS), Luis Almagro, in an extensive (73-page) update on the internal situation in Venezuela to the OAS Permanent Council. Almagro calls for the suspension of Venezuela from the OAS for breach of the Inter American Democratic Charter (IADC, 2001) and recommends full general elections, without delay. “There has been a complete break in the democratic order and the only democratic solution is to place the power back into the hands of the people to decide their fate,” he insists.

In June last year, the OAS decided against activation of the IADC in favour of further political dialogue efforts in Venezuela. As expected by most regular observers of the country, these efforts summarily failed. Even the Vatican has been unable to help the situation, for which Almagro firmly lays the blame on the radical left-wing government led by President Nicolás Maduro, accusing it of not acting in good faith and of paying mere lip service to dialogue for its own political ends. Moreover, Almagro argues, the Maduro government used this period to consolidate its authoritarian grip on power, and is wilfully overseeing the destruction of democracy in the country.

“The lack of results from a dialogue is the first sign of failure in a political system, because democracy cannot exist if voices are not heard or if they have been silenced... We cannot allow the premise of a false dialogue to continue to be used as a smokescreen to perpetuate and legitimise the authoritarian power of what has become a dictatorial regime in Venezuela,” he states. “This dialogue mechanism has decidedly reinforced the government’s strategy for holding on to power through repeated, continuous violations of the Constitution... these constitutional violations have had devastating effects on the rights of the people, and on the representatives elected by those people.”

Venezuela’s constitution, Almagro says, “no longer has any meaning”; the rule of law “no longer exists”; and Venezuela has a government that “is no longer accountable”. “In Venezuela today, citizens are unable to assert their rights. If the government wishes to imprison them, it does so; if it wishes to torture them, it does so. If the Government chooses, it does not bring them before a judge; if it chooses, it does not bring formal charges. Citizens have been left entirely at the mercy of an authoritarian regime that denies them their most basic rights.” The Venezuelan foreign ministry responded that Almagro “heads the hemisphere’s fascist right-wing group, which harasses, assaults and viciously attacks Venezuela, without scruples or ethics”.

Aside from an immediate general election, Almagro also recommends: the immediate establishment of a channel to provide humanitarian assistance (with an emphasis on food and medical assistance), and also; a return to the constitutional order, with full respect for the separation of powers for each of the branches of government, according to constitutional rules. This should include: the restoration of authorities to the national legislative assembly; the ‘democratic selection’ of the national electoral council (CNE); and the democratic selection of the supreme court (TSJ).

Benavides weighs in

The newly installed president of the main private business sector Confiep, Roque Benavides, added to the pressure on the government led by President Kuczynski, stating that “optimism has been lost, not only in the president, but in the government in general”. He also backed demands by Alan García’s Partido Peruano Aprista (PAP) that the scheduled 2019 Pan-American Games in Lima be cancelled and the money put to better use elsewhere. Benavides was previously the head of Confiep between 1999 and 2011, and staunchly defended the liberal economic policies implemented by the disgraced former president Alberto Fujimori (1990-2000). More recently, he has been linked to the PAP.

Almagro expresses regret that that the OAS, “the oldest international organisation” has been unable to act in time to prevent “collapse”. Nevertheless, he remains convinced that the OAS, “as the bastion of the Inter-American System and its democratic values,” can still influence the situation in Venezuela; noting that “a rights-violating government can lose its internal legitimacy in the face of collective censure by its hemispheric peers”. “Nowhere in the recent history of the Western Hemisphere has a tyrant triumphed over the collective will of his peers,” he continued.

A vote to suspend Venezuela from the Washington-headquartered OAS requires the support of two-thirds of its 34 active member states (Cuba, suspended in 1962-2009, has not reactivated its membership). While the Maduro government has lost political support in South America, it still can count on support from the likes of Bolivia and Ecuador, as well as numerous oil client states in the Caribbean, plus some allies in Central America. It is unclear whether Almagro now has sufficient backing in the OAS to suspend Venezuela. It is even more unclear what the isolation of Venezuela would actually achieve. There is a strong possibility that it would give the Maduro government more reason to radicalise, and it could put Venezuela’s political opposition and dissident civil-society groups in a dangerous situation.

As such, Almagro’s pressure appears to be aimed chiefly at securing a prompt electoral solution for Venezuela, so as to allow for a peaceful transition of power to a new administration. He was at great pains to stress that Venezuela’s temporary suspension would be lifted as quickly as possible, and that it was not meant as a sanction or slight on the Venezuelan people, but in solidarity with their situation. This is all very well. The Maduro government, however, appears unwilling to contemplate an electoral outcome in which it would lose executive power.

PERU | POLITICS

Kuczynski government under pressure

Peru’s communications & transport minister, Vice-President Martín Vizcarra, was due to appear before the opposition-controlled congress on 16 March to answer questions about the government’s addendum to a 2014 concession contract for the new Chinchero airport project. At the last minute, the session was cancelled, so that congress could instead address Peru’s continuing weather-related emergencies, including flooding and landslides. Vizcarra got a temporary reprieve but his future remains uncertain. Rumours are strong, moreover, that a mini cabinet reshuffle is in the offing, as Kuczynski seeks to revive public support and investor enthusiasm for his struggling minority government.

Congress voted by a sizeable majority on 9 March to summon Vizcarra to take questions over the Chinchero contract. The summons motion, put forward by the spokesperson for the centre-right opposition Acción Popular (AP) party, Deputy Yonhy Lescano, was approved by 88 of the 110 deputies in the plenary, with two voting against and 19 abstentions (from the ruling Peruanos por el Cambio [PPK] party and a few others).

The concession for the Chinchero airport, to serve the city of Cusco, was awarded in 2014 by the previous government led by Ollanta Humala (2011-2016) to a local consortium, Kuntur Wasi. The concession has always been controversial and has become all the more so now, after the Kuczynski government amended the original contract to allow the state to put up the money required to get the long-awaited scheme off the ground, amid financing difficulties experienced by Kuntur Wasi. As transport minister, Vizcarra oversaw the drafting of the contract addendum. The political opposition in congress, including the main right-wing opposition Fuerza Popular (FP, Fujimoristas) party, has questioned the addendum on the grounds that is

Plan de Impulso Económico 2017

In a bid to stimulate the economy, recover private sector confidence and counter the debilitating 'Odebrecht effect', Peru's Prime Minister Zavala announced a US\$1.6bn infrastructure stimulus package aimed at ensuring GDP growth of at least 4% this year. The package includes funds for new housing developments, infrastructure improvements, and soft credits for micro and small companies.

detrimental to the state. To make matters worse, Vizcarra is now also being accused of corruption to the benefit of Kuntur Wasi. This amid allegations that the consortium made illegal donations to the Kuczynski election campaign last year, which he has stoutly denied.

While Prime Minister Fernando Zavala has denied as "false rumours" local media reports about Vizcarra's imminent departure from the cabinet, it appears almost inevitable. With confidence in his leadership and management flailing, Kuczynski needs to refresh the government's image. Having initially sworn to take on congress in defence of Vizcarra (by forcing a confidence vote), Kuczynski is reportedly now working out how to let down the now-tainted Vizcarra gently and with the least damage to his government. Aside from Vizcarra, there is also speculation that the justice and human rights minister, Marisol Pérez Tello, is also to be replaced, amid questions over her performance to date.

Some see the roving hand of *Fujimorismo* in the rapid decline in the Kuczynski government's fortunes. Local media is rife with conspiracy theories that Keiko Fujimori, head of FP, still smarting from her wafer-thin loss to Kuczynski in the presidential run-off last year, is determined to undermine his government to the point of collapse, triggering early elections. Others point a finger at the deeply unpopular twice former president Alan García, whose corruption-blighted second term (2006-2011) is now under renewed scrutiny as part of the investigations into bribery in Peru by the Brazilian construction giant Odebrecht.

Whatever the truth of these theories, it is also the case the Kuczynski team itself has performed badly – or at least it is almost universally *perceived* to have performed badly – since he took office with such big promises of reform and renewal on 28 July last year. Adding to this is the very noisy Odebrecht scandal, which has put a stranglehold on the political and business environment.

Kuczynski had pledged to get the Chinchero airport project up and running as part of his planned national infrastructure development programme. It now remains suspended, pending resolution of the addendum issue; and is rather emblematic of the new government's failure, so far, to get into gear and start delivering on its promises. Local private sector and investment confidence is still stuck in a rut, and after another mining-related spike in headline economic growth in January (of 4.8% year-on-year), initial estimates for February suggest a slump to about 2.5%, as the recent mining stay falls away.

Airport in the clouds

Aside from legal concerns about the Chinchero airport contract, there are also technical concerns over the planned airport, chiefly the fact that it would be located 3,700m above sea level, 400m higher than the existing Cusco airport. Aviation experts warn of problems with fog, rain, and crosswinds – which could oblige weight restrictions on departing flights – while larger planes from Europe and the US may not be able to use the airport at all, seeming to fly in the face of the promises that the new airport would consolidate Cusco as a major tourist hub, with direct connections to the US and Europe.

The plan was also for a new international hub at Cusco to alleviate some of the pressure on the main Jorge Chávez airport in Lima, which is severely overburdened. As things stand, and bar advances in technology in coming years, existing large planes like the Airbus A340 may still have to land in Lima, experts say, with passengers still having to connect onwards to Cusco.

El Alto airport, serving La Paz in Bolivia, is the highest airport in South America, sitting at just over 4,000m above sea level. It is the fifth highest commercial airport in the world. Most commercial wide-body aircraft, such as the Boeing 747 and the Airbus A330, cannot operate out of El Alto. Most international traffic in and out of Bolivia uses Viru Viru airport, in Santa Cruz.

Odebrecht mars Vargas Lleras' big day

Presidential candidates

Germán Vargas Lleras is yet to confirm whether he will run for president in 2018. He might be waiting for the Odebrecht scandal to die down a bit. The CD's presidential candidate in 2014, Óscar Iván Zuluaga, is thought to have delayed a fresh bid for the presidency because of the Odebrecht scandal. Meanwhile, Senator Jorge Robledo announced his presidential candidacy for the left-wing Polo Democrático Alternativo (PDA) earlier this month, promising to combat the "sickening" corruption in Colombia.

Vice-President Germán Vargas Lleras formally stepped down this week in order to clear the way for a tilt at the presidency in 2018. Until recently Vargas Lleras had been seen as a strong contender to succeed Santos, but there were signs that his equivocal stance on the peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc) could leave him sidelined in what looks like being a polarised campaign around this issue. His unofficial campaign launch was also overshadowed by the encroaching cloud of scandal surrounding the activities of Odebrecht in Colombia after it transpired that the Brazilian firm supplied financing in 2010 for the victorious presidential campaign of Juan Manuel Santos. The scandal is politically damaging, not least because Santos has made a big point of the need to extirpate corruption from public life.

On 15 March Vargas Lleras presented his resignation to the senate. A day earlier he delivered a two-hour speech to more than 3,000 people, including mayors, governors, cabinet ministers and President Santos himself, outlining his achievements in office. The occasion bore all the hallmarks of a pre-electoral campaign rally. Vargas Lleras wore a white helmet to symbolise his role in myriad infrastructure and housing works since 2014. His daughter Clemencia took to the stage with three beneficiaries of social housing.

Santos heaped praise on his deputy (who will now be replaced by the former national police chief Óscar Naranjo) as "loyal, efficient and effective". But Santos swiftly moved on to Odebrecht, distancing his government from corruption. He also took aim at the right-wing opposition Centro Democrático (CD) led by Senator Alvaro Uribe (president 2002-2010), who has called for a national anti-corruption protest march for 1 April. Prosecutors are also investigating the 2014 campaign of the CD's presidential candidate Óscar Iván Zuluaga for illegal campaign financing by Odebrecht.

Santos' campaign manager in 2010, Roberto Prieto, admitted this week that Odebrecht supplied US\$400,000 to print 2m campaign posters. Prieto insisted that Santos knew nothing about this. Santos came out fighting. He promptly released a video on Facebook and Twitter claiming that he did not authorise the financing which "directly contravened the ethical norms I demanded". He apologised to Colombians for the "irregular funding...which should never have happened", maintaining that he had only just found out about it himself.

Santos also called for all those involved to clarify their actions immediately, and, to show he had nothing to hide, instructed his interior minister, Juan Fernando Cristo, to consult with the national electoral council (CNE) over whether the statutory limitation period had expired for all related campaign accounts and whether this could be lifted.

Santiago Rojas, Santos' campaign chief in 2010 and incumbent head of the tax and customs authority (Dian), said that the financing in question did not comply with established procedures for the collection of funds but denied knowledge of the specific circumstances. Rojas tendered his resignation but Santos refused to accept it, perhaps concerned that it would look like an admission of guilt. Instead, Santos praised the "extraordinary work at the Dian", increasing the tax take to allow the government to invest in social works and infrastructure. Santos insisted that none of this meant there had been any corruption committed during his government. But Uribe, determined to put Santos on the back foot and deflect attention from the CD's own dubious campaign financing in 2014, called for Colombians to express their indignation in an anti-corruption march on 1 April.

Moreno pulls clear of Lasso

Army chief fired

Luis Castro Ayala was replaced as commander of the army last week by division general Edison Narváez Rosero. Ayala was dismissed after claiming that there were failings in the safeguarding of ballots during the general elections on 19 February, which was firmly denied by both the defence ministry and the national electoral council (CNE). “Electoral material was under the permanent and uninterrupted custody of the armed forces,” the CNE maintained in a statement. The CNE confirmed that the national police would provide security of ballots in the second round on 2 April.

Lenín Moreno, the presidential candidate for the ruling left-wing Alianza País (AP), has established a decisive lead over Guillermo Lasso, his rival from the centre-right Movimiento Creo, ahead of the second round of elections on 2 April, according to several opinion polls published in recent days. None of these polls have the reputation of Cedatos, which forecast a narrow win for Lasso in a poll conducted shortly after the first round on 19 February (two were commissioned by overtly pro-government media), but there is reason to believe that Moreno might have overhauled Lasso.

When Diagnóstico released two opinion polls in the first week of March showing Moreno ahead of Lasso, first by 9.2 percentage points and then by 12.7 points, there was reason to treat the findings with a degree of caution. The polls were commissioned by the pro-government daily *El Telégrafo*, and they were published shortly after Cedatos, which came closest to accurately predicting the result of the first round of elections; they showed Lasso ahead by 4.2 points. But then on 11 March the opposition daily *El Universo* published a poll by Perfiles de Opinión which put Moreno 15.4 points ahead of Lasso. The findings, taken from a survey of over 6,000 people in 23 of the country’s 24 provinces, show Moreno received 51.02% of voting intentions while Lasso languished on 35.53%.

A breakdown of the Perfiles de Opinión survey showed Moreno performing significantly better in coastal areas with a 20-point lead (53.4% to 33.68%), which is consistent with the results of the first round contest, while the gap narrowed to nine points in the 10 highland provinces (48.71% to 37.06%), which were split equally in the first round. Moreno also held a slender lead in the Amazonian provinces (43.89% to 43.76%), which Lasso had won decisively in the first round.

There are two reasons why Moreno might have established a potentially decisive lead over Lasso. The first is that Moreno has shown himself open to reforming elements of the present government, notably the controversial communications law, while Lasso recently promised to tear down the edifice of the Citizens’ Revolution by means of a constituent assembly, even though many aspects of it, especially in the social sphere, remain very popular. And this ties in directly to the second reason. The government has gone into overdrive to pin responsibility for the financial crisis of 1999, the worst in Ecuador’s history, on Lasso, and to portray him as an ‘unfeeling banker’ with no sense of social responsibility.

On 8 March the ruling AP staged a rally in Quito to mark the 18th anniversary of the financial crisis, which led to hundreds of thousands of Ecuadoreans emigrating after their bank deposits were frozen. Thousands took to the streets in repudiation of Lasso, who was economy minister for a month under Jamil Mahuad (1998-2000). The march ended at the national assembly whose (AP) president Gabriela Rivadeneira urged the demonstrators to remember “who was behind that forced migration of more than 2m Ecuadoreans”. She added: “They lost everything because of the irresponsibility of a few bankers who are today financing the banker’s [Lasso’s] campaign from Miami.” President Rafael Correa, meanwhile, tweeted; “8 March 1999: let us never forget it”, saying that the state had to spend US\$8bn propping up the banking sector.

Lasso claimed that the Banco de Guayaquil, of which he was executive president, never borrowed a cent from the government. He also denied that he made the decisions which led to the financial crisis and denounced the accusations as part of a dirty campaign against him. But the polls suggest the mudslinging has met with some success.

New education model unveiled

Education financing

Noting that Mexico's education reform will only start to produce tangible results, such as improvement in education ranking tables in a decade, Education Minister Aurelio Nuño said that the government was seeking to secure funding for the newly launched education model for the next 10 years. Nuño said that he was already working with the finance ministry (SHCP) to secure the allocation in future budgets of funding for things such as teacher training courses, new school textbooks, and improved infrastructure. However, he recognised that ultimately the availability of this funding would depend on the "political will" of future governments, starting with the one that will be elected in next year's general elections.

"The most important education revolution in almost a century." This is how Mexico's President Enrique Peña Nieto has described the new national education model 2018-2019, that he formally unveiled on 13 March. The model, the instrument by which the Peña Nieto government intends to implement its 2012-2013 education reform, is designed to guarantee equal access to education for all Mexican children, so that the country is well-placed to face all the challenges of the 21st century. These are all lofty objectives and it is still far from clear if the model will succeed in achieving them.

The new model comprises three documents that clearly spell out a new national academic curriculum; establishes minimum education attainment levels that must be reached by schools around the country in the 2018-2019 school year; and restructures the education system along five key axes – the overhauling of the curriculum, empowerment of the individual, putting schools at the centre of the model, improving teacher training, promoting social equality and inclusion; and introduces greater governance over the education system. It was unveiled by President Peña Nieto during a public ceremony held at the national palace.

In a speech, Peña Nieto said that the new model seeks to put an end to Mexico's educational lag and bring the national education system up to the times. "Since the end of the 20th century our education system has been in many respects exhausted, facing challenges and an educational lag that had to be addressed," Peña Nieto said. He added that "We had a system in which schools, their infrastructure and organisation, were forgotten, in which vertical and bureaucratic structures that discourage innovation and creativity were created". Ostensibly addressing the likes of the combative Coordinadora Nacional de Trabajadores de la Educación (CNTE) teachers' union, which continues to oppose the education reform, Peña Nieto said that failure to address these issues would have been "irresponsible, shameful and immoral", as it would have "condemned" children to an outdated education.

In contrast Peña Nieto argued that under the new education model, "The 21st century school will be a space in which new generations will learn...reflect upon, discern, and solve the challenges they are faced with." He added that this would ultimately help to improve Mexico's poor results in ranking tables for international education. Mexico was the lowest ranked Organisation for Economic Co-operation and Development (OECD) member in the 2015 Programme for International Student Assessment (Pisa) tests in the areas of science, reading, and mathematics. Despite the fact that Mexico is the OECD member with most investment in education (over 5% of GDP).

For his part, Education Minister Aurelio Nuño said that the new education model was the result of a consultation process with academics, teachers, students, parents and civil-society groups launched back in July 2016. Nuño highlighted that the model calls for all public schools from primary to university to make English a mandatory subject; for improved access to internet in public schools; and that it will allow greater autonomy to some schools. Nuño thanked all those that helped draft the new model, arguing that it is "fundamental" for the successful implementation of the education reform. Nuño also celebrated the fact that the model does not contain any "political concessions". This was a message for the CNTE, which continues to stage large demonstrations demanding the repeal of some aspects of the reform such as subjecting teachers to regular testing to evaluate their

Winckler denounces past practices

Commenting on the way in which the previous state authorities in Veracruz handled disappearance cases and the discovery of unidentified bodies, Jorge Winckler said they only pretended to lead investigations into these cases. He said that just as local civil-society organisations of relatives of the ‘disappeared’ have denounced, the authorities took DNA samples from relatives but apparently never compared them to samples from any of the unidentified bodies they discovered. “No DNA tests were made because all that money was ‘diverted’,” Winckler said. Nonetheless, this has not stopped organisations such as Colectivo Solecito from complaining that Winckler has yet to meet them and that the investigations by his office are still moving too slowly.

teaching ability and knowledge of subjects, and conditioning teachers’ continued employment on them achieving acceptable scores on these tests.

The new model was praised by Juan Díaz de la Torre, the president of the Sindicato Nacional de Trabajadores de la Educación (SNTE), Mexico’s main teachers’ union. Díaz, who attended the public launch, highlighted the “strategic value” of the model arrived at via “consensus”. He went on to call for no one to seek to turn the process of implementing the new model into “an ideological or political battle”. This message was also clearly intended for the CNTE. However, it is not clear if the combative union, which refused to take part in the model consultation process and did not attend its launch, will get the message.

Veracruz continues to uncover mass graves

The authorities in Mexico’s eastern state of Veracruz fear that the state may hold the largest number of bodies interred in mass graves in the country. There has been a marked upsurge in violence in Veracruz, Mexico’s third most populous state, as a result of the frontal war launched by the Mexican government against the local drug trafficking organisations (DTOs) in 2006. But the extent of this violence is only becoming clear now. On 14 March Veracruz’s attorney general, Jorge Winckler Ortiz, reported that the authorities had discovered what appears to be a large mass grave containing the remains of over 250 individuals. While mass graves have been discovered in Veracruz before, Winckler said that he believed that this was one of the biggest in the country, and that it had been used by local DTOs to bury their victims for years. Winckler did not say exactly where the mass grave was found or how but that forensic investigators had so far unearthed 266 skulls from the site and that there could be “thousands” more.

Winckler did not confirm it, but the local media believe that the mass grave site that he was referring to was the one discovered earlier this month by the local civil-society group Colectivo Solecito, which was formed to look for the ‘disappeared’ in Veracruz, at Colonias de Santa Fé, which forensic investigators from Winckler’s office have just started exploring [[WR-17-09](#)]. In any event, Winckler said that the discovery of the remains suggests that the grave site is “the largest in Mexico and possibly the world”; and he blamed the previous state administration led by the disgraced former governor, Javier Duarte (2010-2016), for not investigating these crimes and even of trying to cover them up. “For years organised crime ‘disappeared’ people with the complacency of the authorities,” Winckler said, adding that no formal investigations were carried out and that previous state officials “simply lied, they could not keep track of the bodies they found and they dumped them all in common graves” (*see sidebar*).

Noting that Veracruz state is still dealing with the acute financial crisis resulting from the gross corruption that took place during the Duarte administration, Winckler said that the new state government does not have sufficient resources to carry out DNA tests on all the remains found in unmarked graves in the state since it assumed office in December 2016. Indeed, Winckler said that the Veracruz authorities have been able to identify some 150 of the bodies found in unmarked remains since December only thanks to assistance from the federal attorney general’s office (PGR), and that more would be needed to identify the rest.

TRACKING TRENDS

MEXICO | **Local bond issue.** On 8 March Mexico’s finance minister (SHCP) announced that M\$15bn (US\$763.4m) had been successfully placed on the domestic market, in what was the first such operation of the year. According to an SHCP statement, the bonds, maturing in 2047, offered a fixed rate of 7.85% through a syndicated auction. The statement added that the issue formed part of the government’s 2017 financial plan and that the funds would be used to finance its budget. It also noted that the bonds were oversubscribed with total demand equalling M\$30bn (US\$1.52bn), as over 50 national and foreign investors took part in the operation (57% national investors and 43% international investors).

Protesters seek modern independence

President Danilo Medina commemorated the 200th anniversary of the birth of one of the Dominican Republic's pre-eminent independence heroes, Francisco del Rosario Sánchez, on 9 March. Medina extolled Rosario Sánchez's "bravery and values", fighting for a free, sovereign and independent nation. Four days later, the social organisation Marcha Verde launched a nationwide march to end what it described as the present reign of impunity and corruption in the country, choosing as the starting point Capotillo, in the north-western province of Dajabón, where Sánchez had crossed the border from Haiti in 1861 at the head of a force seeking to end the reign of Spain, only to be captured and executed.

Dressed in green, Marcha Verde protesters lit a torch which will be carried the length and breadth of the Dominican Republic on a 'pilgrimage' designed to raise awareness of official corruption linked to the Brazilian construction firm Odebrecht operating in the country. It hopes that this will help to apply pressure on the Medina administration to expel Odebrecht from the Dominican Republic and to create a commission of independent prosecutors, accompanied by the United Nations, to investigate the case, on the grounds that the attorney general's office is a mere appendage of the Medina administration and will not pursue officials from the ruling Partido de la Liberación Dominicana (PLD).

The Marcha Verde pilgrimage from Capotillo swiftly reached Santiago de los Caballeros, the country's second most populous city, where protesters gathered by the monument to restoration heroes. Organisers chose the scene of the restoration of the Republic from Spanish rule in 1863 to symbolise their campaign for "the restoration of the hope of the Dominican people". Simultaneously protesters set out from the city of Barahona, the capital of the eponymous south-western province, and Higüey, the capital of the eastern province of La Altagracia. The various marches will pass through rural areas and major cities to win public support for the Marcha Verde campaign to "force the establishment of a different system of governance that serves the people". The marches will converge on the Parque Independencia in the capital Santo Domingo on 19 March.

Marcha Verde is demanding that all the officials who accepted bribes from Odebrecht be brought to justice, and that the government cancel the contract with the Brazilian firm to construct the 770MW Punta Catalina coal-based power plants in the south-western province of Azua. It celebrated the decision by a local judge, José Alejandro Vargas, earlier this month after he refused to validate an agreement struck in January between Odebrecht and the attorney general's office under which the Brazilian firm committed to pay US\$184m (double the confessed bribes paid out to Dominican officials between 2001 and 2014) for contravening the penal procedures code.

The political opposition is pushing for Medina to be summoned by congress to face questions over Odebrecht after he was forced to deny publicly last week that the firm had helped finance his 2012 and 2016 election campaigns. The Brazilian weekly magazine *Veja* cited a former Odebrecht executive, Hilberto Silva, who claimed that the firm had financed Medina's disgraced marketing and advertising campaign adviser, João Santana, who was sentenced to eight years in prison for corruption in his native Brazil last year. Medina insisted Santana's services had been "paid for by us", and claimed that a lot of people wanted to see him "swimming in the mud".

Mejía on defensive

The political opposition is revelling in President Medina's discomfiture, but it is not free from corruption allegations itself. Former president Hipólito Mejía (2000-2004) was forced to come out last week and defend the way in which his government handled two construction projects in which Odebrecht was involved. Mejía, who was elected for the Partido Revolucionario Dominicano (PRD) but now belongs to the main opposition Partido Revolucionario Moderno (PRM), said he would retire from politics and donate all of his assets to the state if it could be proved that he was guilty of corruption. Instead, he claimed that there was "a long list of corruption cases that have been set aside to protect officials in the Partido de la Liberación Dominicana governments [2004-present]".

Strengthening ties with a neighbour

Supertex

Last month, ahead of the Nicaraguan legislature's revocation of 'Ley 325', Colombian manufacturing company Supertex S.A. de C.V announced plans to establish a textiles factory in Nicaragua with an investment of US\$8m. Supertex representatives say that the factory, which is due to begin operations in July 2017, will generate approximately 1,500 jobs in the first three years. The company has two production plants in El Salvador and two in Colombia, and has a labour force of some 5,000 employees.

This month Nicaragua's 92-member unicameral legislature approved a bill repealing a law ('Ley 325') which had established a 35% tax on products from Colombia in 1999 as part of a territorial dispute (which also included Honduras). The ruling Frente Sandinista de Liberación Nacional (FSLN) government led by President Daniel Ortega argued that the tax – which was repealed for Honduras in 2003 – was no longer necessary following a 2012 ruling by the International Court of Justice (ICJ) on the dispute. The move points to more general efforts by the Nicaraguan government to boost trade ties with its neighbour.

Former president Arnoldo Alemán (1997-2002) had imposed the tax on imports from both countries following Honduras's ratification of a 1986 territorial limits treaty with Colombia known as the Ramírez-López treaty. The treaty had recognised Colombia's right to areas of the Caribbean which were also claimed by Nicaragua. However, the Ortega government, which presented the legislative initiative repealing 'Ley 325' to the national assembly on 21 February (which duly approved it on 7 March), pointed to the November 2012 ruling by the ICJ on the 122-year old maritime and territorial dispute between Nicaragua and Colombia as grounds for its decision. While confirming Colombia's sovereignty over seven islets in Caribbean waters, the ICJ ruling had ordered Colombia to cede 75,000km² (or 40%) of its resources-rich maritime territory and was widely considered a victory for Nicaragua.

The latest move by the Nicaraguan government has been hailed by both sides. In a statement released on 7 March, Colombia's minister for trade; industry and tourism (Micit) María Claudia Lacouture highlighted the opportunities for Colombia. Pointing out that the repeal of 'Ley 325' will save Colombian exporters some US\$3.7m annually, the Micit press release lists among those products to benefit: pharmaceuticals; cosmetics; beauty products; machinery and equipment; paper and paper-based products; and agro chemicals. According to the Micit press release, Colombia's total exports to Nicaragua were worth US\$13.98m in 2016, of which nearly all (US\$13.93m) were non-mining goods – a sector which was up 21% on 2015.

The repeal of the tax has also been hailed by local private sector lobbies like Consejo Superior de la Empresa Privada (Cosep) and Consejo Nicaragüense de la Micro, Pequeña y Mediana Empresa (Conimipyme) which said that it would boost the country's economic competitiveness. Efforts to strengthen trade come following the release of figures on 10 February by Nicaragua's central bank (BCN) which showed that the country registered a trade deficit of US\$3.23bn in 2016, up 7.1% on 2015. This has been widely attributed to the economic and political problems facing Venezuela which dropped from being Nicaragua's second largest export market to its fourth.

Meanwhile hopes that the repeal of 'Ley 325' will encourage investment from Colombia – which already appear to have been borne out (*see sidebar*) – come as a June 2016 report by the Economic Commission for Latin America and the Caribbean (Eclac) showed that foreign direct investment (FDI) flows to Nicaragua declined by 5% in 2015, to US\$835m. The Eclac report noted that since 2014 Nicaragua's maquiladora (assembly plant) industry has felt the effects of the change in US policy, which entailed removal of the tariff preference level (TPL) provisions. It is estimated that some 3,000 jobs have been lost and textile exports have fallen by 5% as a result of this change.

Quotes of the week

“Putting the government in a situation of perpetual check is a very serious political decision taken by political and social groups.”

Argentina’s security minister Patricia Bullrich on protest and strike action.

“People with no memory are destined to fall into the same mistakes of the past.”

The president of Ecuador’s national assembly, Gabriela Rivadeneira, of the ruling AP, after making an unsubtle link between the opposition presidential candidate Guillermo Lasso and the 1999 financial crisis.

“Cosmetic fixes to democracy, such as offering gubernatorial elections or releasing political prisoners one by one, do not change the nature of the regime. A parody of democracy is not democracy. In the words of former political prisoner, and now political leader Aung San Suu Kyi, ‘sometimes I think that a parody of a democracy could be more dangerous than an obvious dictatorship, because it gives people the opportunity to avoid doing anything about it’.”

The secretary general of the OAS, Luis Almagro, on Venezuela.

Hernández the big winner in Honduran primaries

Primary elections in Honduras on 12 March confirmed President Juan Orlando Hernández as the presidential candidate for the ruling Partido Nacional (PN) in November’s elections. His chief rivals will be Xiomara Castro, of the left-wing Libertad y Refundación (Libre), and Luis Zelaya of the Partido Liberal (PL).

President Hernández and Castro, the wife of former president Manuel Zelaya (2006-2009), both won more than 90% of the vote in the open primaries, according to the supreme electoral tribunal (TSE), although the latter’s rivals denounced “complete fraud”. Luis Zelaya defeated Gabriela Núñez 58%-32% in the only remotely competitive election. Castro urged Luis Zelaya and the PL to forge an alliance with Libre against Hernández and the PN. Given that the PN took 52% of total votes on the day, such an alliance might be necessary to stop the re-election of Hernández. Either that or evidence emerges giving credence to allegations of corruption and links to organised crime levelled at his government.

Hernández celebrated his triumph by saying that “some people don’t want to see me here, principally criminals...who attack us permanently”, but he promised not to be distracted in his mission to combat organised crime. His comments came days after a former leader of the Honduran drug trafficking organisation Los Cachiros gave testimony in the US sentencing hearing of Fabio Lobo, the son of former president Porfirio Lobo (2010-2014). Devis Leonel Rivera Madariaga implicated then government security adviser and incumbent security minister Julián Pacheco Tinoco in drug trafficking to the US. Fabio Lobo pleaded guilty in 2015 [[WR-17-09](#)].

While Hernández presented himself as the scourge of organised crime and corruption, his government and the previous PN administration under Lobo have faced serious allegations of links to both, including massive embezzlement at the Honduran social security fund (IHSS) and involvement in drug-trafficking. Rivera claimed that Fabio Lobo assisted with two large cocaine shipments, including one of 1,050kg from Tocoa, in the Caribbean department of Colón in 2013 for which he pocketed US\$50,000 and requested more for “the boss”: Pacheco Tinoco. The security ministry issued a statement strenuously denying Rivera’s claims, accusing him of trying to get a reduced sentence while weakening the government’s “concrete actions” against organised crime.

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