

# latin american weekly report

18 May 2017, WR-17-19

ISSN 0143-5280

## CONTENTS

<b>LEADER</b>	<b>1</b>
Tapping into China's mammoth infrastructure plan	
<b>ANDEAN COUNTRIES</b>	
<b>COLOMBIA</b>	<b>3</b>
Santos launches bold plan to slash coca production	
<b>VENEZUELA</b>	<b>4</b>
Venezuela cleaves the Western Hemisphere	
<b>PERU</b>	<b>6</b>
Stuck in the mud	
TRACKING TRENDS	
<b>BRAZIL &amp; SOUTHERN CONE</b>	
<b>BRAZIL</b>	<b>8</b>
Lula launches his political comeback	
<b>ARGENTINA</b>	<b>10</b>
Dealing with a 'two for one' crisis	
<b>CHILE</b>	<b>12</b>
Can Piñera capitalise on split Left?	
<b>MEXICO &amp; NAFTA</b>	
<b>MEXICO</b>	<b>13</b>
Death of a journalist (again) spurs action	
TRACKING TRENDS	
<b>CENTRAL AMERICA &amp; CARIBBEAN</b>	
<b>PANAMA</b>	<b>15</b>
Tensions with Colombia over security	
<b>POSTSCRIPT</b>	<b>16</b>
Ecuador's Moreno promises consensual politics	
Quotes of the week	

This edition of *Latin American Weekly Report* has been produced for Canning House Corporate Members by LatinNews ([www.latinnews.com](http://www.latinnews.com)).

*Latin American Newsletters since 1967*

## Tapping into China's mammoth infrastructure plan

Argentina and Chile are pushing for starring roles in an ambitious global infrastructure development initiative launched by China. Argentina's President Mauricio Macri and Chile's President Michelle Bachelet were the sole Latin American leaders to attend a two-day 'Belt and Road' forum in Beijing on 14 and 15 May during which China's President Xi Jinping presented his credentials as a global statesman and China as the new economic hegemon with the US retreating from the stage. Bachelet praised "the world's biggest economic project" and offered Chile as a bridge between Asia and Latin America. Macri said that regional convergence with China's initiative was "an opportunity not to be passed up". While seeking investment in infrastructure projects in Argentina, Macri, in return, offered to provide the countries taking part in the forum with food security.

"Economic globalisation is encountering some headwinds," President Xi said in an address to 29 leaders from countries around the world attending the first 'Belt and Road' forum. "Swan geese are able to fly far and safely through winds and storms because they move in flocks and help each other as a team," Xi added, while calling for countries to eschew protectionism and embrace greater coordination and connectivity to confront the profound changes afoot. Xi said China's forum was designed to find ways to combat uneven development by financing large-scale infrastructure initiatives which would help to redress the balance, diminishing global inequality and poverty rates. First proposed in 2013, it envisages the symbolic recreation of the Silk Roads, with camels and caravans upgraded to bullet trains and broadband.

Xi announced the injection of nearly US\$124bn into the initiative, which will help to finance transport and energy infrastructure projects primarily, as well as a US\$8.7bn aid programme for participating countries. Hefty numbers. The forum, however, is currently as vague as it is ambitious. Detractors, such as the US and Japan, view it as a Chinese gambit to expand its geopolitical and economic influence in Central Asia and further afield, and question the social and environmental sustainability and transparency surrounding the proposed projects. Wang Yi, China's foreign minister, said its scope was limitless, as it was an international cooperation initiative open to all of the countries and regions that want it. At present, it has incorporated 68 countries which between them have a population of 4.4bn people and make up 40% of global GDP.

Supporters of the initiative are keen to get a slice of the Chinese pie, especially with few other pies available. Presidents Macri and Bachelet came armed with proposals for giant infrastructure works in their countries. Macri suggested to Xi that he include the Hidrovia plan, which would convert the Paraná and Paraguay rivers into fully navigable industrial shipping

## Trade with China

Two-way trade between Chile and China in 2016 totalled US\$31.2bn, with a surplus for Chile. Officials said the updating and widening of the free trade agreement between Chile and China signed in 2006, the first with a Latin American country, should be concluded swiftly. The second round will take place in June and the aim is to conclude talks by the end of the year. Chile will host the second China-Community of Latin American and Caribbean States (Celac) summit next year. China is Argentina's second-largest trade partner. In absolute terms, two-way trade is less than half that of Chile, at US\$14.9bn last year, with a deficit for Argentina. China's foreign direct investment (FDI) in the region totalled US\$29.8bn in 2016, 15% of which went to Argentina.

channels, in his infrastructure portfolio; Bachelet, a 3,000km fibre optic cable connecting Chile and China. Both heads of state pushed for a bioceanic corridor linking Atlantic ports in Argentina and Brazil, through the Andes, to Chile's Pacific ports. This, Bachelet said, would help Chile to provide a bridge between Latin America and Asia. Macri, meanwhile, said China could rely on Argentina to provide food security, especially to the African countries within its development initiative. Macri said Argentina could double food production in "the next five to eight years", which would enable the country to cover the demand of 400m people. "We want to stop being the world's breadbasket to become the world's supermarket," he said.

Macri said that as pro tempore president of the Union of South America Nations (Unasur), Argentina would work to establish a convergence between Unasur's *Iniciativa para la Integración de la Infraestructura Regional Sudamericana* (IIRSA) and China's 'Belt and Road' forum. During her visit, Bachelet signed Chile up to the Asian infrastructure investment bank (AIIB), a multilateral development bank created by Beijing as the financial arm of its ambitious project, which began operating on 25 December 2015, and now has 77 members.

The AIIB marks a challenge to the prevailing global financial architecture dominated by the Bretton Woods twins. Brazil was a founding member of the AIIB. Peru and Venezuela joined two months ago, and Bolivia recently signed up. Flanked by the AIIB president Jin Liqun, Bachelet said that belonging to the bank would be of great benefit for connectivity and infrastructure projects. Argentina's foreign minister, Susana Malcorra, said her country would sign up imminently.

### Big investment deals

Macri signed infrastructure investment accords amounting to some US\$15bn during a state visit to China after attending the forum. With Wang Shoujun, the chairman of the China National Nuclear Corporation, Macri signed a US\$12bn deal for the construction of a fourth and fifth nuclear reactor: work on the 745MW Atucha III in Buenos Aires province will begin in January next year; while a 1,150MW plant, in the southern province of Río Negro, will commence in 2020.

Macri also signed a deal with Yan Zhiyong, the chairman of energy giant PowerChina, for a 600MW solar photovoltaic park, requiring US\$400m of investment, in the northern province of Jujuy; and a US\$2.4bn deal with Railway Construction Corporation Limited (CRCC), financed by Eximbank China, including the renovation of 1,600km of the San Martín de Cargas railway in Jujuy and five other northern provinces – Salta, Tucumán, Santiago del Estero, Chaco and Santa Fe – to benefit local producers who will have a direct transport link to the inland port of Rosario.

During a six-minute exposition to the other global leaders attending the 'Belt and Road' forum, Macri had highlighted the parallel objectives of China's giant infrastructure development initiative and his government's US\$16bn 'Plan Belgrano' investment programme to construct and overhaul road infrastructure, and improve the connectivity of Argentina's 10 northern provinces, with the objective of reducing poverty.

The national daily *La Nación* cited a foreign ministry source as saying that the quid pro quo for China announcing so much investment in Argentina was the recommencement of work on the US\$4.7bn Néstor Kirchner and Jorge Cepernic 1,700MW hydroelectric dams in the southern province of Santa Cruz, signed by the previous administration led by president Cristina Fernández (2007-2015), which were suspended 18 months ago when Macri took office. Malcorra thanked China for its flexibility over the accord to build the dams, claiming that it had never been paralysed and that it was simply a case of "regulatory aspects being revised".

**Santos launches bold plan to slash coca production**

President Juan Manuel Santos has uprooted the first coca plant in a major new crop substitution scheme in former areas of influence of the Fuerzas Armadas Revolucionarias de Colombia (Farc). The scheme, formulated by the government and the Farc, aims not just to strike a telling blow against drug-trafficking by eradicating 50,000 hectares of coca over the next year – triple the total amount manually eradicated last year – but also to transform rural life. It is ambitious, and it faces significant challenges. Many small farmers, campesinos, distrust the government. They are also coming under pressure from other illegal armed groups filling the vacuum left by the Farc to retain their coca crops and not to participate in the scheme.

President Santos undertook the symbolic destruction of the first coca plant in the new initiative on 11 May in La Uribe, a municipality in the south-eastern department of Meta which provided sanctuary for members of the Farc secretariat. Santos signed a deal with coca-growing families committing to take part in the scheme. In exchange for promising to eradicate coca crops and not to replant them, communities of campesinos will receive technical assistance as well as financial support to the tune of Col\$1m (US\$345) a month per family to invest in planting legal crops, such as cacao, bananas, rubber, coffee, palm oil, and avocado.

Rafael Pardo, the post-conflict minister, signed similar deals with coca-growing families in San José del Guaviare in the contiguous department of Guaviare on 13 May and, the following day, with more families in La Carmelita Puerto Asís, in the southern department of Putumayo. In all, the government has signed accords with community leaders and social organisations representing 81,849 families in 13 different departments since January to adopt the voluntary substitution programme. Together they are responsible for about one-third of total coca cultivation, which has been increasing rapidly (*see sidebar*). Further campesinos will be eligible to enrol in the scheme until 10 July 2019 when the government will revert to forcible manual eradication with no benefits.

**Threats to success**

Coca crop substitution plans have been tried before in Colombia, and elsewhere in the Andean sub-region, with limited success: coca tends to be the easiest and most profitable crop to grow. The new factor, which the Santos administration hopes will make a decisive difference this time, is the active cooperation of the Farc, which has promised to use its influence over local communities, in areas where it previously held away, to embrace the scheme.

Many campesinos, accustomed to years of state abandonment, are concerned that the government will not honour its word and that new crops will not be profitable. They are also fearful of threats from other illegal armed groups. Neo-paramilitaries (especially the powerful Clan del Golfo), the Ejército de Liberación Nacional (ELN) guerrillas, and Farc dissidents, each have a vested interest in the scheme failing due to the profits they derive from their involvement in the illegal drug trade. But despite constant government announcements of telling blows landed on illegal armed groups, reports proliferate of their expansion into former areas of Farc influence.

Within hours of Pardo's visit to the coca-growing areas in Guaviare and Putumayo threatening pamphlets began circulating from unidentified armed groups warning against adopting the plan. Harley López, the

**Coca cultivation**

The government has been critical of the Farc for actively encouraging campesinos to plant more coca in order to be eligible for more financial and technical assistance under its crop substitution initiative and social programmes. In its annual International Narcotics Control Strategy Report (INCSR), published in March, the US State Department maintained that coca cultivation in Colombia in 2015 had increased by as much as 42% on the previous year from 112,000 hectares (ha) to 159,000 ha, a nearly 100% increase since 2013. Cocaine production was up by 60% over the same period. The findings of a report by the United Nations International Narcotics Control Board (INCB), published two days earlier, were consistent with the INCSR in terms of the scale of the increase if not the estimated area of coca under cultivation (up by 39% from 69,000 ha in 2014 to 96,000 ha in 2015).

## Humanitarian crisis

After a meeting with the opposition president of Venezuela's national assembly, Julio Borges, last week, Peru's President Pedro Pablo Kuczynski said that Venezuela was "the number one issue" in Latin America and called on the region to provide "humanitarian aid, not just material, but also psychological and democratic". On 11 May the Venezuelan health minister, Antonieta Caporale, was fired just four months after assuming the post. Her replacement is Luis Salerfi López Chejade, a pharmacist. Caporale was removed after damning new epidemiological reports – the first made available since 2014 – appeared on the health ministry's website, showing, inter alia, 756 maternal deaths in 2016, up by 66% in just a year, and 11,466 recorded infant deaths, up 30%.

Colombian official from the United Nations working on the coca substitution scheme who was kidnapped by Farc dissidents from the 'Armando Ríos' 1<sup>st</sup> front in Guaviare on 3 May, is still being held captive. The defence minister, Luis Carlos Villegas, insisted that security forces were already countering the threat posed by the estimated 400 Farc dissidents, however, after security forces this week killed Mauricio de Jesús 'Morrudo' Medina Castaño, the 'finance chief' of the other dissident Farc front (the 7<sup>th</sup>), based in Meta. The operation took place on 12 May in San Vicente del Caguán municipality, located in the department of Caquetá bordering Meta.

## Rural reform

The success of the government's counter-narcotics strategy, and indeed the peace process itself, hinges on its ability to entrench state presence, ensuring public security and convincing campesinos it will deliver on promised rural reform. A pilot scheme launched last July with Farc support [[WR-16-27](#)] in El Orejón, located in the northern municipality of Briceño in the north-western department of Antioquia, has met with some success.

Santos visited El Orejón with Pardo, and his foreign and culture ministers, María Ángela Holguín and Mariana Garcés respectively, on 15 May. A total of 44 landmines have been cleared in just 18,000 square metres in the local area through military and Farc cooperation. After consultation with the local community about their needs, Col\$22.34bn (US\$7.6m) has been invested in 17 projects including a new school, bridge, libraries, gym, and a sport and cultural diplomacy exchange involving local schoolchildren with Germany. Some of the works were inaugurated by Santos, who insisted that coca substitution was "the best decision" local campesinos could make for their families. If they, and others, feel tangible benefits they might be inclined to agree.

## VENEZUELA | POLITICS & FOREIGN POLICY

### Venezuela cleaves the Western Hemisphere

Relations between Venezuela and much of Latin America are now at an impasse. The permanent council of the Organization of American States (OAS) this week managed to muster just 18 votes, the absolute minimum, to schedule a special meeting of foreign ministers to discuss the Venezuelan crisis. The meeting will only take place on 31 May, moreover, in spite of the repeated urgings of Canada, Costa Rica and other members that it take place immediately, reflecting the rapid deterioration of the Venezuelan situation.

It appears that in the Caribbean, in particular, Venezuela's oil generosity holds more weight than any moral or political concern about the country's crisis. Nicaragua, El Salvador, Ecuador, Bolivia, Haiti, the Dominican Republic, Antigua & Barbuda, Dominica, St Kitts & Nevis, St Lucia, St Vincent and the Grenadines, Suriname, and Trinidad & Tobago all chose to obstruct or cross their arms in the OAS vote.

The Costa Rican government expressed the growing frustration of many in Latin America at the blocking tactics of Caribbean nations. Caribbean foreign ministers were due to meet on 18 May under the auspices of the Caribbean Community's Council for Foreign and Community Relations (Cofcor), with Brexit and Venezuela on the agenda. Ahead of the meeting, the left-wing prime minister of St Vincent and the Grenadines, Ralph Gonsalves, denounced "a conspiracy by a reduced group of powerful nations to secure regime change in Venezuela and to divide the Caribbean Community's position on Venezuela".

Meanwhile, at the request of the US, the United Nations Security Council held an informal closed-door meeting on 17 May to discuss the situation in Venezuela. Afterwards, the US ambassador to the UN, Nikki Haley, stated:

**OAS – powerless**  
The OAS, which requires a two-thirds vote to take meaningful action, appears powerless to do much to help find a solution to Venezuela’s crisis at the upcoming hemispheric summit of foreign ministers. In any case, Venezuela (in a pre-emptive move), has served notice on its OAS membership, rendering any action at this point largely symbolic.

“The intent of this briefing was to make sure everyone is aware of the situation...we are starting to see serious instability in Venezuela...we’re not looking for Security Council action,” she stressed. However, Haley observed, Venezuela “is on the verge of a humanitarian crisis.... Medicine is unavailable, hospitals lack supplies, and it’s become difficult to find food.... Peaceful protestors have been injured, arrested and even killed by their own government...the international community needs to say ‘respect the human rights of your people’ or this is going to go in the direction we’ve seen so many others go.” Haley added: “We are not for the opposition, we’re not for President [Nicolás] Maduro, we’re for the Venezuelan people.” In response, Venezuela’s UN ambassador, Rafael Ramírez, slammed the US for “meddling” and “encouraging violence”.

Uruguay, along with Bolivia, currently represents Latin America on the Security Council. Uruguay’s UN ambassador Elbio Rosselli, president of the Council for May, said that Uruguay believed the issue of Venezuela should remain “within the realm of regional organisations”. “We understand that the only way to come out of this is through an agreement between Venezuelan political actors,” Rosselli emphasised. “They themselves are the ones who have to take the situation in their hands and carry through negotiations to a satisfactory outcome.” Bolivia’s ambassador, Sacha Llorenti, was critical of the US move: “We are not facing a threat to international peace and security in Venezuela, not even on a regional level,” he stated. Brazil and Colombia, coping with growing humanitarian and security difficulties in their border zones with Venezuela, might beg to differ.

Stephane Dujarric, spokesperson for the UN Secretary-General António Guterres, said that Guterres was following the situation closely. “Obviously, it is a source of concern, not only because of the political situation, but also due to the difficult economic and social situation we are seeing,” Dujarric stated.

### **Military expands presence**

Just a day after the state of emergency and economic exception in the country was extended for the seventh consecutive time, giving Maduro virtually untrammelled powers, the defence minister and head of the military, Vladimir Padrino López, announced ‘Phase 2’ of Plan Zamora, a new security plan. The plan essentially puts more military boots on the streets and intensifies “measures of vigilance and control”. ‘Phase 1’ of the plan was implemented in the state of Carabobo, whereupon initial complaints began to surface about civilian protesters being arrested for crimes of rebellion and treason and subjected to military justice.

Phase 2 is centred on the restive western state of Táchira, long a locus for anti-government sentiment. Padrino said that 2,000 soldiers were being dispatched to the state, following a spate of looting in its capital San Cristóbal, and the reported death of a 15 year-old teenager. Padrino accused the looters of being “terrorists”.

### **Maduro complains of mistreatment**

Even as US President Donald Trump complained of being the most unfairly treated politician in history, Venezuela’s President Nicolás Maduro went one better, declaring that *Chavistas* are “the new Jews of the 21<sup>st</sup> century”.

Speaking in a televised cabinet meeting, Maduro said “We don’t carry the yellow star of David...we carry red hearts, filled with desire to fight for human dignity. And we are going to defeat them, these 21<sup>st</sup> century Nazis.”

Given that Maduro has been accused by his fiercest critics of acting increasingly like a fascist dictator himself, his statement elicited a strong response. Luis Almagro, the secretary general of the OAS, tweeted: “Nicolás Maduro banalises the Holocaust and distorts a dark chapter of history to benefit his dictatorship.”

## Vizcarra – back under the bulb

President Kuczynski said he was sure that Transport Minister Martín Vizcarra would fly through his congressional testimony on 18 May, noting that the minister had already responded to 82 questions in writing in advance of his initially scheduled appearance in March. Opposition *Fujimoristas* argue that the transport ministry's decision to put up the initial funding to get the Chinchero airport underway, amid financial difficulties in the private Kuntur Wasi consortium awarded the concession, is prejudicial to the state. But that is not Vizcarra's only problem. On 4 March, prosecutors presented corruption accusations against him and called for a full investigation into whether he processed irregular payments from Brazil's scandal-hit construction firm Odebrecht to a holding company purportedly linked to Kuczynski. Vizcarra's relationship with Kuntur Wasi is also under scrutiny.

## Stuck in the mud

The Peruvian economy is waiting for a lift. But its squabbling politicians threaten to bog it down. As ever, economists were split on the highly-anticipated economic growth figures for March released by the national statistics institute (Inei). According to Inei, growth was 0.71% year-on-year in March (compared to 3.71% in March 2016), to give an overall first-quarter result of 2.08%.

For those wanting to see the glass as half full, the results – which were better than the expected contraction – were evidence of Peru's resilience, and a pointer towards recovery over the rest of the year, as the massive task of reconstruction and other planned public infrastructure work gets underway, stimulating domestic economic activity.

By contrast, those of a 'glass half empty' persuasion noted that growth in March rested almost exclusively on the fisheries sector (+37.3%), and taking into account the third consecutive negative seasonally adjusted figure, some warned that Peru could be headed for a technical recession. The government's official real GDP growth target of 3% for 2017, others noted, is starting to look materially impossible.

The upshot is that there is a risk of a 'lost year' for the economy in 2017, unless the government led by President Pedro Pablo Kuczynski is able – quite literally – to rebuild Peru, and quickly.

For 2018, the consensus sentiment is more upbeat. By then, and assuming stable executive-congress relations (and no more contamination from corruption scandals, which is a big assumption), reconstruction and other infrastructure projects should finally be underway, delivering the positive shock that the domestic economy urgently needs, and creating a virtuous cycle of growth. Lingering concerns on the part of economists might relate to the ability of regional authorities (largely municipalities) to execute the reconstruction works speedily. The onus, thus, will be on the central government to oversee and track progress, and to provide assistance where necessary.

However, with Lima's politics quickly reverting to grim normality after a temporary show of unity in response to the flooding crisis, there is mounting concern that the Kuczynski administration's ambitious scheme for 'Reconstruction with Change' (Reconstrucción con Cambio) will get trapped in the mud, sinking the economic recovery – which is hinging almost entirely on this kick-start public investment.

Time is of the essence, and not only for the thousands of victims of the floods. Right now, the Kuczynski government has some political momentum over the main opposition Fuerza Popular (FP, *Fujimoristas*), which controls congress. During the recent crisis, FP played nice. All the signs, however, point to an end to nice.

In the past week, following fresh tensions over the question of a humanitarian release from jail for the elderly former president Alberto Fujimori (1990-2000), FP used its majority in congress to summon the interior minister, Carlos Basombrío, for questioning. Congress has also set a new date – 18 May – for the appearance of the transport minister, Martín Vizcarra, to testify about the government's controversial addendum to the contract for the new Chinchero airport in Cusco. Vizcarra was meant to appear in March, but this was postponed because of the flood emergency.

## Viva Air

On 9 May, Peru's first low cost airline, Viva Air Perú, formally began operations.

The company is owned by Irish holding firm Irelandia Aviation, the parent company of Ryanair, and will operate nine different domestic routes in Peru, with two more added next year. Peru's tourism ministry estimates that internal tourism will increase by 10% in 2017, creating an ideal environment for Viva Air Perú to start its operations. The company aims to service 700,000 travellers in its first year. The venture is the latest in Irelandia Aviation's expansion into Latin America following the launch of Viva Colombia in 2012. Viva Colombia's CEO, William Shaw, estimates that Viva Air Perú's arrival will result in a 50%-70% price reduction in flight costs in Peru.

If congress were to censure the ministers (thereby making their positions untenable, as happened to Kuczynski's first education minister in December), the president has threatened to exercise his right to call a vote of confidence in the cabinet. (Peru's constitution allows the president to dissolve congress and call new elections if two consecutive cabinets receive a no confidence vote. This acts as an emergency 'rein' on congressional excess as, typically, deputies do not want to risk losing their seats in fresh elections).

The risk is that a fraught game of brinkmanship erupts between Kuczynski and the *Fujimoristas*. This would not only cripple the political scene but also the fragile domestic economic sentiment. The last government was also victim to these tactics by an FP controlled congress, prompting then-president Ollanta Humala (2011-2016) to accuse the party of "an attitude of generating instability in the country".

For Kuczynski, if he does not start to deliver on his economic promises soon, his (wobbly) popularity will start to decline again, and with that any incentive for the *Fujimoristas* to support him. In a worst-case scenario, some fear, FP actually wants to topple Kuczynski and force early elections. That kind of political upheaval and uncertainty could deal a serious blow to the economy.

A less dramatic scenario sees FP, with one keen eye on securing power for its leader Keiko Fujimori in the 2021 elections, co-operating with Kuczynski on some mutually agreeable areas (like business-friendly economic reforms and security measures), but largely dictating the legislative agenda, shaping it to match its own ambitions and forcing the weak Kuczynski executive to march to its tune.

---

## TRACKING TRENDS

**PERU | Poverty reduction.** On 10 May, the head of Peru's national statistics institute (Inei), Aníbal Sánchez, reported that the total number of people deemed to be poor (those that earn less than US\$100 a month) in the country had fallen by 1.1% in 2016 compared to 2015. Sánchez said that last year 20.7% of Peru's population, or 6.5m people, lived in poverty.

The reduction in the total number of poor last year means that this figure has fallen by 7.1% over the last five years, and by 28.4% since 2007, as 7.3m were lifted out of poverty in the last decade. However, the difference in poverty levels between rural and urban areas remains substantial. Poverty levels in rural areas reached 43.8% of the population in 2016, down by 1.4 percentage points on 2015; while in urban areas poverty levels reached 13.9%, down 0.6 percentage on the previous year.

Extreme poverty (those that earn less than US\$53 a month) also saw a slight decrease of 0.3%, or 70,000 people, compared to 2015. Extreme poverty has fallen by just 2.5% since 2012, and over the last 10 years it has fallen by 10%. Inei's report also showed that 28.7% of the poor population are of indigenous or Afro-Peruvian origin, higher than the national average. A majority (51.9%) of the poor that are over 15 years of age have none or only some years of primary education, and 93.4% of the poor work in the informal sector.

**ECUADOR | EU trade agreement pays dividends.** On 10 May, Ecuador's trade minister, Juan Carlos Cassinelli, said that the country's non-oil exports reached a total of US\$11.3bn last year, with US\$2.83bn worth of these exports going to the European Union (EU), which is the principal market for Ecuador's non-oil exports.

**Lula launches his political comeback****Future of 'Operation Car Wash' divides opinion**

Brazilians disagree on whether 'Operation Car Wash' will help purge corruption from Brazil, found a survey by pollster Datafolha from *Folha de São Paulo*, published on 4 May. Roughly half of the 2,781 people canvassed thought 'Car Wash' would decrease levels of corruption, while the remaining 51% thought it would stay the same or increase. A demographic breakdown of the survey shows young people were generally more optimistic about the outcome of 'Car Wash' than older generations.

Brazil's former president Lula da Silva (2003-2011) met his nemesis, Judge Sérgio Moro, during a much-anticipated corruption hearing in Curitiba in the southern state of Paraná last week. Not one to be easily intimidated, Lula used his defence trial as an opportunity to launch a political attack on federal prosecutors like Moro and formally declare his intention to run in the 2018 presidential elections.

On the first day of Lula's trial, Curitiba, nicknamed the 'sleepy city', awoke to the sound of rival protesters campaigning for and against a man who was once Brazil's most popular president. Tens of thousands of supporters, mostly from outside Curitiba, donned red T-shirts, the colour of the leftist Partido dos Trabalhadores (PT), to show their solidarity with Lula. Others, from 'Team Moro', dressed in Brazil's national colours of yellow and green in support of Brazil's anti-corruption investigation 'Operation Car Wash.' On the side lines, 3,000 officers made sure the protests passed without incident.

Hearing fired-up crowds, Curitiba could have been bracing itself to host a major football tournament or wrestling match instead of a drawn-out hearing. Judge Moro sought to play down the element of competition between him and Lula in a statement to local media, and stress his impartiality. "This is not a contest. The protest is not a war, battle or arena...just prosecution and defence," he told local media.

Nevertheless, the stakes are high for both Lula and Moro, who respectively represent Brazil's political and judicial elite. Should Lula lose, he cannot run for re-election according to the clean slate law, *Lei de Ficha Limpa*. This would be a serious blow for his party, the PT, which lacks another leader of equal calibre. But Moro's reputation is also on the line. Having made a name for himself as an ardent defender of 'Operation Car Wash', Moro is a man with a mission who wants to prove that no man is above the law, even Lula.

On 9 May, Lula began defending himself against the first of five separate counts of corruption. During an emotional speech, he denied receiving bribes from construction company OAS to pay for a luxury penthouse in Guarajá, São Paulo state. He launched a two-pronged attack on Moro to clear his name using both political and legal arguments.

From a political point of view, Lula has attacked Moro for allegedly launching a smear campaign against him and his party. Lula told journalists he was the subject of a "political witch hunt", and threatened to get revenge on Moro if he does become president again in 2018. This cannot be ruled out as Lula is among the frontrunners in recent polls, but there is still a considerable backlash against him, partly in response to the corruption charges and his disapproval rating is as high as 64%, according to a recent survey by pollster Ipsos in July. In other surveys, one of the few men who could theoretically eclipse Lula is Moro, although he has consistently denied any presidential ambitions.

Moro hit back by accusing Lula of using his political power to detract from the ongoing investigations. In an unorthodox start to the trial, Moro kicked off proceedings by affirming his own impartiality and defending his right to rule on the case. "I want to make sure that in spite of the allegations, I have no personal vendetta against the President, okay? What will determine the



## Temer tires of corruption allegations

Following months of corruption scandals, leaked testimonies and the odd bit of false news, President Michel Temer's tolerance for corruption investigations appears to be wearing thin. Plea bargaining agreements have become "banal", "repetitive", and are about as exciting as "rice and beans", he told news site *G1* on 15 May.

result of this final process is the evidence which has been collected and the law," he told the court. Moro added that he was presenting the case on behalf of the public ministry (MP).

Given that 'Operation Car Wash' has targeted all Brazil's main political parties, the argument that Lula's party specifically has been targeted seems unlikely. But Moro's political stance has been questioned, especially as his influence grows. Just after Lula's trial, for example, Moro called for Brazilians to continue to show their support for 'Operation Car Wash' as they did during widespread protests last year. This shows his power extends beyond the courtroom and that, like Lula, he is more than able to draw in the crowds. Moreover, Moro has been accused of abusing his authority after he leaked a conversation between former president Dilma Rousseff (2011-2016) and Lula last year, sparking a media furore. This led philosopher Djamila Ribeiro to label Moro a "populist of the penal system" during a conference held at the London School of Economics (LSE) on 14 May. "The fact that a judge is applauded is extremely worrying," she added.

Politics aside, Lula's legal defence centred on the premise that prosecutors do not have enough evidence to convict him of bribery. Crucially, prosecutors are lacking documents which prove Lula's ownership of the luxury property or that verify his direct involvement, he says. "I want you to tell me what crime I have committed. Talking to someone or visiting the triplex [luxury apartment] is not a crime. Where are the documents I signed?" he asked.

While the lack of these documents could make it more difficult to charge Lula, this does not necessarily absolve him of guilt. Instead, this could be construed as a form of unlawful concealment of property, argues Rafael Mafei, professor at the Universidade de São Paulo (USP) in an interview with Spanish news site *El País*.

Further complicating the case is the fact that Lula's wife, Marisa da Silva, allegedly bought the property with him. She passed away in February and was posthumously pardoned of all allegations. Cleverly, but controversially, Lula implied his wife may have been implicated in purchasing the luxury property. "I don't know if you have a wife but she didn't always ask me what to do," he told Moro.

However, using extensive evidence from plea bargaining agreements, including a statement from the head of OAS Leo Pinheiro, the prosecution managed to find some holes and inconsistencies in Lula's defence case. The embattled president said he did not know the answer to Moro's questions 82 times and frequently avoided the question. While these kind of avoidance tactics work well in politics, they could weaken his legal case.

At times, Lula also contradicted himself. For example, a statement from his own political body, the Lula Institute, issued in 2016, read that Lula had carried out some refurbishments on the house, but Lula later denied this.

On top of the political and legal debates, Lula and Moro will be fighting for time. Stringing out the trial for as long as possible would help Lula by making it more likely he can still run for president. Consequently, Lula has called around 80 witnesses to his defence; in a move that Moro has described as "completely unnecessary".

By contrast, Moro, known as one of Brazil's most prolific prosecutors, is keen to speed things up. Moro announced that he would be making a final verdict on Lula's first corruption case on 20 June. The case then passes to Brazil's regional tribunal (TRF).

**Dealing with a 'two for one' crisis****Macri criticises ruling**

Commenting on the contentious CSJN ruling for the first time on 10 May, President Macri expressed his clear disagreement. "I am against any tool that favours impunity. Even more so when this tool is applied to crimes against humanity," Macri said. He also congratulated congress for moving to resolve the "legal vacuum" left by Ley 24.390, which he said he had always opposed. He went on to criticise previous administrations for failing to address this issue and rejected the insinuations that his administration was in any way behind the ruling by noting that the CSJN is "now independent".

Protesters were once again out in force in Argentina's capital, Buenos Aires, this week. This time, the source of their discontent was a ruling by the supreme court (CSJN) approving the early release of an individual convicted of committing crimes against humanity during the country's military dictatorship (1976-1983). The ruling proved so contentious that some political quarters have called for the impeachment of the CSJN justices that voted in favour of it. The government led by President Mauricio Macri has expressed strong disagreement with the ruling, but it has rejected the idea of impeaching the CSJN justices, out of concern that this would have negative implications for the national judiciary, and it must now find a solution to the crisis.

The crisis was sparked by the CSJN's split decision to apply the so-called '2x1' principle to Luis Muiña, who was convicted to 13-years in prison in 2011 for the torture and enforced disappearance of five people during the dictatorship. The '2x1' principle, under which every day served in prison by an individual that spent over two years in preventative detention before being tried counts as two days, was introduced in Argentina's legal system in 1994 via 'Ley 24.390'. The criteria behind this was to make the penal code more humane and to expedite the processing of cases through the courts. But recognising that the '2x1' principle could end up undermining the principle of retributive justice, Argentina repealed Ley 24.390 in 2001.

However, in recent years, lawyers from some of those serving lengthy sentences for heinous crimes committed during the dictatorship, who face their final years behind bars, have requested that the principle be applied to their clients to try to secure their early release. Their argument rests on the fact that some of these individuals were held in preventative detention for a long time and then tried while Ley 24.390 was still in effect. The first of these cases to make it all the way to the CSJN after a protracted process was Muiña's. After deliberations, the CSJN voted 3-2 in favour of applying the '2x1' principle in Muiña's case on 3 May. The three justices that voted in favour – Elena Highton, Carlos Rosenkrantz, and Horacio Rossati – argued that the request filed by Muiña's defence was admissible and that it conformed to the principle of applying the most benevolent legislation to offenders, as established by Argentina's penal code.

**Judicial crisis**

The ruling was immediately slammed by local human rights organisations and groups of victims of the dictatorship such as the Madres de Plaza de Mayo. They argued that the '2x1' principle cannot be applied retroactively; and that international law is clear that those convicted for crimes against humanity are not eligible to benefit from lenient or preferential treatment. These groups maintain that the ruling promotes impunity for those guilty of committing heinous crimes; and that it represents a major step back for Argentina's efforts to deliver justice and truth to the thousands of victims of the dictatorship. They warned that it could be used by hundreds of other individuals convicted of crimes against humanity committed during the dictatorship to seek early release.

This view was also espoused by the political opposition and even by the government, which also strongly rejected the CSJN ruling. Justice Minister Germán Garavano described the CSJN decision as "perverse". But despite the government's disagreement with the ruling, Garavano said it would not challenge it in order to avoid clashing with the CSJN. Instead Garavano said that the government would seek to pass new legislation limiting the application of the '2x1' principle, to prevent others guilty of crimes against humanity from benefiting from it.

## Widespread rejection

According to an opinion poll by local pollster D'Alessio IROL, published on 10 May, 85% of Argentines are opposed to the application of the '2x1' principle to those convicted of crimes against humanity. The rejection rate is high among those that self-identified as Cambiemos and FPV sympathisers, although the rejection rate among the latter is much higher. According to the poll, 75% of Cambiemos sympathisers and 98% of FPV sympathisers reject the application of the principle.

Nevertheless, the CSJN ruling produced a judicial rebellion. On 8 May, a federal court in San Juan province ruled that applying the '2x1' principle to individuals convicted of crimes against humanity is unconstitutional. It rejected a request for early release filed by the lawyers of another individual convicted of crimes against humanity on these grounds. Since then numerous federal courts around the country have adopted similar decisions, with federal judges and prosecutors arguing that they are not "obliged" to observe the CSJN's ruling as it had not been unanimous. This has raised concerns about the undermining of the CSJN's authority.

## Political crisis

The widespread rejection of the CSJN ruling quickly led to it becoming a political matter. Civil-society groups and the political opposition demanded that the CSJN immediately revise its ruling or, failing that, that justices Highton, Rosenkrantz, and Rosatti be subjected to impeachment proceedings. The hard-line Frente para la Victoria (FPV, Kirchneristas) faction of the main opposition Partido Justicialista (PJ, Peronists) in particular said that it would push for this at a 9 May extraordinary session called by the federal chamber of deputies to discuss a cross-party bill aimed at limiting the application of the '2x1' principle. This prompted the government to state that while it strongly disagreed with the ruling, it was also opposed to the impeachment of the CSJN justices as this would significantly affect the functioning of the judiciary.

The cross-party bill limiting the application of the '2x1' principle was swiftly approved by the chamber of deputies. It received the support of the entire PJ majority bench as well as the bench of the ruling centre-right Cambiemos coalition (only one PJ deputy voted against). But the impeachment motion presented by the FPV was not voted upon by the deputies, who celebrated the broad consensus over the new bill. This, in turn, led to the unanimous approval of the bill by the federal senate on 10 May. Senators said that the bill would prevent anyone convicted of crimes against humanity from benefiting from the '2x1' principle. They also said that they expected the bill to be written into law quickly, given that President Macri himself expressed his disagreement with the CSJN ruling (*see sidebar*).

On 9 May federal prosecutor Guillermo Marijuán opened a formal investigation into the three CSJN justices over allegations of abuse of authority in relation to the Muiña ruling. Marijuán's move was in line with a legal complaint presented by local human rights lawyer Marcelo Parilli. In his complaint, Parilli accuses the three CSJN justices of acting unconstitutionally by deviating from current legislation and by knowingly issuing a ruling in breach of constitutional provisions on retributive justice. Parilli called for the justices to be subjected to the "maximum possible penal sanctions", including their "absolute perpetual disqualification from holding public office". It is against this backdrop that local human rights groups decided to stage a protest against the CSJN ruling on 10 May, even after the bill limiting its potential scope was approved by congress.

The mass participation in the protest march in Buenos Aires (estimates range from 100,000-500,000 people) signals strong public support for removing the CSJN justices that voted in favour of the contentious ruling. The political opposition, especially the FPV, are keen to seize on this to politically undermine the government. FPV legislators have accused Cambiemos of refusing to support their impeachment motion because they were trying to protect justices Rosatti and Rosenkrantz, appointed by Macri only last year. The FPV insinuated that Macri himself was behind the ruling in what looked like an attempt to exacerbate the crisis and undermine Macri and Cambiemos ahead of October's legislative elections.

## Can Piñera capitalise on split Left?

### Conflicts of interest

“A presidential campaign is an adventure; we have to have our feet firmly on the ground and our eyes set on the future. Ask for whom we’re governing,” Sebastián Piñera said while naming his campaign team. Chile’s student organisations argue that Piñera should not be governing at all. They accuse him of failing to separate his role as president from his private interests, amassing a fortune through privileged information. They cite Piñera’s recent declaration of assets, totalling US\$600m, barely 20% of his US\$2.7bn fortune according to an estimate by *Forbes* magazine.

Former president Sebastián Piñera (2010-2014), the frontrunner in November’s presidential race, has mounting problems. At first blush Piñera seems to be in a strong position. For the first time since Chile’s return to democracy in 1990, the left-wing coalition, Nueva Mayoría in its present incarnation, will present two separate candidates in presidential elections. But Piñera has been unable to shake accusations of conflict of interest. Chile’s combative student movements staged protests outside the Santiago offices of Bancard, a holding company owned by Piñera and his family, this week. Piñera also faced criticism from politicians within the three constituent parties of his right-wing Chile Vamos coalition of repeating the “same mistakes” of his first government after naming a technocrat-heavy campaign team.

Carolina Goic, of the centre-left Democracia Cristiana (DC), officially registered her candidacy on 13 May to compete directly in November’s first round rather than primary elections in July, when she would have faced Alejandro Guillier, the consensus candidate of the four other parties within Nueva Mayoría. Goic’s decision not to participate in primary elections, which would constitute little more than a coronation of Guillier given the support he enjoys from the other four coalition partners, confirms the growing distance between DC and the Nueva Mayoría, which could transform Chile’s electoral map.

By competing directly in November’s general elections, Goic will take votes from Guillier. How many depends upon whether she can lay claim to the political centre-ground, pushing Piñera to the right, through the definition of a plan of governance distinct from that of Guillier. At present Goic only enjoys between 2% and 4% of the vote, according to opinion polls, barely a third of the support of Beatriz Sánchez of the nascent coalition of small leftist parties Frente Amplio (FA), although she might start to pick up now her candidacy has been defined.

Piñera should be revelling in the Left’s travails but he is engrossed in problems of his own. He was interrogated by the attorney general’s office for three hours on 5 May in relation to misuse of privileged information in relation to the purchase of shares by Bancard in a Peruvian fishing company, Exalmar, between November 2010 and February 2011 while he was head of state. In January 2014 the International Court of Justice (ICJ) favoured Peru in a long-running dispute with Chile over offshore territorial limits under which Peru gained title to a large area rich in fishing.

University student and secondary school organisations, Confederación de Estudiantes de Chile (Confech) and Coordinadora Nacionales de Estudiantes Secundarios (Cones), significant pressure groups in Chile in recent years, staged a protest outside Bancard offices on 15 May. Not only did the students serve notice that they were “not prepared to move backwards” on education reform but they also insisted that Piñera was not fit to take office (*see sidebar*).

On the same day, Piñera presented a 500-strong campaign team (heading 20 separate commissions), comprising no fewer than 12 of his former cabinet ministers, including Felipe Larraín, Cristián Larroulet, and Hernán De Solminhac, and myriad technocrats. This raised fears among leaders of the three Chile Vamos member parties – Unión Demócrata Independiente (UDI), Renovación Nacional (RN) and Partido Regionalista Independiente (PRI) – that history could be about to repeat itself. These fears were encapsulated by the PRI president, Alejandra Bravo: “Technocracy alone is what prevented continuity in the last government of Sebastián Piñera and this cannot be allowed to happen again.”

## Death of a journalist (again) spurs action

Javier Valdez Cárdenas, a well-known Sinaloa-based journalist specialised in covering organised crime, was gunned down in Culiacán, the state capital, on 15 May. The crime – the sixth fatal attack on a journalist so far this year – has caused outrage and motivated President Enrique Peña Nieto to promise added protection for journalists. But the profession does not feel any safer.

At a specially convened press conference on 17 May President Peña Nieto, who had gathered members of the security cabinet as well as state governors, said that each crime against a journalist constituted an attack on freedom of expression. Peña Nieto promised more resources for the protection of journalists; more resources for the special prosecutor's office for crimes against freedom of expression; and better coordination between federal and state authorities investigating these crimes.

However, Peña Nieto gave no further details, and although the event was billed as a press conference, no questions were actually allowed. Journalists covering the story were limited to making their feelings known by shouting "Justice!". Earlier there had been a protest by reporters in Culiacán; there was also a demonstration in Mexico City, and some announced plans to hold short protest strikes.

The profession has legitimate cause for concern. Valdez was a big name in crime reporting. He was known as a columnist on the Sinaloa weekly *Ríodoce*, as a correspondent for national newspaper *La Jornada*, and as author of a number of books, including *Narco Periodismo*. He was the seventh journalist to be killed in Mexico so far this year.

Although no one has claimed responsibility, the killing is believed to be related to increased factional infighting within the Sinaloa drug trafficking organisation (DTO) following last year's capture and extradition to the US of its leader, Joaquín 'El Chapo' Guzmán Loera. In a recent column, commenting on the new DTO practice of dropping corpses from aircraft, Valdez had said violence in the state was escalating to levels not seen since 2008 when there was a similar struggle for power. "We now have a more violent generation of narcos," he wrote, adding, "It is not enough to kill, you have to show off the body".

Valdez also referred to the paranoia and confusion in the city and to "the absence of authority through complicity or omission". In March he had commented on the murder of journalist Miroslava Breach, a fellow *La Jornada* correspondent, who had been gunned down in the state of Chihuahua. "Miroslava was killed for saying too much. They should kill us all if that is our sentence for reporting on this hell. No to silence," he wrote on his *Twitter* account.

The statistics are alarming. According to the Committee to Protect Journalists (CPJ), at least 40 journalists have been killed for work-related reasons in Mexico since 1991, with a further 50 killed for reasons not yet confirmed. Nationally, attacks on journalists are increasing. With seven journalists killed so far in the first five months of the year, 2017 could end up exceeding the 2016 toll of 11 dead.

*La Jornada* has calculated that since 2000 there has been a total of 197 court investigations into the death or disappearance of journalists. Of those, only 17 have reached the sentencing stage, implying an investigative 'success

### Pipeline explosion

Four people died after a pipeline belonging to the state-controlled energy company Petróleos Mexicanos (Pemex) exploded in the eastern state of Veracruz, near the border with Oaxaca, on 13 May. The explosion was the result of an illegal pipeline tap by oil thieves, or huachicoleros, who left the area after the leak got out of hand. Four charred bodies were found in a car discovered after the fire at the site was brought under control.

## Strategic leverage

Mexico's economy minister, Ildefonso Guajardo, candidly admitted on 11 May while speaking at the Mexico Business Forum 2017 in Mexico City, that the country would use an upcoming visit by Mexican officials to China to show that it was not entirely dependent on Nafta. "We will use [the visit to China] geopolitically as strategic leverage," Guardado said. "It sends the signal that we have alternatives." Raúl Urteaga's visit to Argentina and Brazil to discuss possible grain imports, inter alia, sent out the same signal. US President Donald Trump has expressed his determination to reduce his country's trade deficit with Mexico which hit a near 10-year high in March of US\$7.03bn, a 30% increase on the same month a year earlier.

rate' of only 8.6% – or an impunity rate of 91.4%. The national human rights commission (CNDH) says that the vast majority of cases involving the killing of journalists are "pending" or have simply been shelved. CNDH official Édgar Corzo says the body is particularly worried by the extremely high level of impunity, which, in effect, lets the criminals know that they are unlikely to be prosecuted for their crimes.

Despite Peña Nieto's promise to take action, it is hard to see a near-term improvement in levels of safety for Mexico's journalists. Juan Carlos Aguilar of lobby group Derecho a Informar said "We've been living in a giant simulation; they say they're investigating and that freedom of expression is protected, but clearly it's not."

## Church and López Obrador speak out

Meanwhile, in an editorial entitled 'México, en situación de desastre', the Catholic archdiocese of Mexico lamented the fate of "lost generations due to the undeclared war [on DTOs]", with the state "appearing to be shattered by the fear and terror". The archdiocese referred to the annual survey of armed conflict by the International Institute for Strategic Studies (IISS), issued on 9 May, which claimed that, after Syria, Mexico had the second deadliest conflict in the world with its drug wars claiming 23,000 lives in 2016.

The Peña Nieto administration dismissed the findings of the IISS report, which it said had used figures of uncertain origin, and estimations based on uncertain methodologies. But the Church was not alone in seizing upon the report. The leader of the radical left-wing Movimiento Regeneración Nacional (Morena), Andrés Manuel López Obrador, the early frontrunner in the 2018 presidential race, also referred to the report after US President Donald Trump tweeted about it. "It's as if [Trump] is saying 'look I am right to say we have to send the US military to Mexico, because the Mexican government cannot deal with the violence in the country; this is very serious,'" López Obrador said (*see sidebar*).

---

## TRACKING TRENDS

**MEXICO | Diversifying trade.** The Mexican government is taking steps to diversify foreign trade in the wake of the uncertainty surrounding the future of the North American Free Trade Agreement (Nafta). The head of foreign affairs at the agriculture and livestock ministry, Raúl Urteaga, conducted a one-week visit to the cities of Buenos Aires and São Paulo over the last week, accompanied by 17 businessmen. Urteaga said that Mexico traditionally imported yellow maize, rice, wheat and soybeans from the US, but in the event of tariffs being imposed, and reciprocal measures adopted by Mexico, the four grains could be imported from Brazil and Argentina, both of which are keen to deepen trade ties between the Southern Common Market (Mercosur) and the Pacific Alliance trade bloc, comprising Mexico, Chile, Colombia and Peru.

Mexico is self-sufficient in white maize production for human consumption, but imports some 14m tonnes (t) of yellow maize per year (95% of which comes from the US), costing US\$2.5bn, as fodder for livestock. Mexico imports 4.5m t per year of wheat, and 1m t apiece of rice and soybeans.

**MEXICO | Tourism up.** Tourism activity increased by 3.5% in 2016, driven by services and an increase in spending by foreign tourists, according to figures published last week by the national statistics institute (Inegi). A total of 35m foreign tourists visited Mexico in 2016, up 9% on the previous year, generating foreign exchange earnings of US\$19.57bn. While spending by domestic tourists increased by 2.7% year-on-year, spending by foreign tourists jumped by 24% over the same period. Tourism and travel-related services, which contribute most to tourism GDP, increased by 3.6%, and goods by 3.1%.

**Tensions with Colombia over security**

“Unjust and inexact”. This is how Colombia’s foreign ministry responded to remarks made last week by Panama’s President Juan Carlos Varela who suggested that the Colombian peace process had had a negative impact on neighbouring countries in terms of driving up narco-trafficking. Varela’s comments followed reports that four suspected Colombian narcotraffickers had been killed in a clash earlier this month on Panamanian soil. Varela has since sought to downplay his remarks, insisting they were misunderstood. But this is not the first time that he has blamed Panama’s security problems on an increase in drug production on the other side of the border, pointing to a growing source of bilateral tensions.

A statement by Panama’s attorney general’s office notes that the four suspected drug traffickers were killed in the Darién border region on 2 and 3 May in a clash with officials from Panama’s national border service (Senafront). Weapons and munitions were also seized. The incident followed an operation, ‘Haspa’, which began in April aimed at dismantling an international drug trafficking organisation. The investigation found that some 30 armed men, possibly of Colombian nationality and suspected drug traffickers, had entered Panamanian territory.

Following the deadly clash, on 11 May, President Varela told reporters that “we are now starting to see the first effects of the [Colombian] peace process”. A Panamanian foreign ministry press release also reiterated concerns about the rise in production of drugs and trafficking on the border. It complains that despite being a country of “transit and not production”, Panama invests millions of dollars annually in the fight against narcotrafficking, seizing a record 70 tonnes (t) last year (*see sidebar*). In July 2016 Panama’s police (PN) chief, Omar Ariel Pinzón Marín, warned that a peace agreement in Colombia would pose a security threat [[WR-16-31](#)]. A recent report by the United Nations Office on Drugs and Crime (UNODC) confirmed a significant increase in coca plantation areas – and potential cocaine production – in Colombia.

Varela’s latest remarks prompted an angry response from Colombia’s foreign ministry which, in a statement on 11 May, said that it received his declarations “with surprise and concern”. It went on to say that “it is clear that incidents such as those which took place [last week] in the border area respond to a transborder criminal dynamic which affects all the countries in the region and has no direct relation with the Colombian peace process”.

**Another task force**

Varela has responded to this security threat by wheeling out special task forces. On 11 May the security ministry (Minseg) announced a new task force ‘Caribe’ to complement the PN and another elite task force, ‘FTC-Águila’ active in Colón province. The new force will operate from Colón airport. Meanwhile the 300-strong FTC-Águila (which comprises agents from Minseg, the PN, Senafront, the national air service [Senan], the institutional protection service [SIP], and migration authorities) was deployed in March 2017 to towns in the provinces of Panamá, Panamá Este, Panamá Oeste and Colón. It follows other major operations launched in recent months. These include ‘Colón Seguro’, launched in Colón City in October 2016, and ‘Operación Escudo’ (9 May-17 June 2016) and ‘Operación Patria’ (20 October-20 December 2015), both in border areas, involving a specialised joint task force.

**Security progress?**

In late January 2017 Security Minister Alexis Bethancourt said that Panama’s homicide rate had dropped to nine per 100,000 inhabitants in 2016, down from 12 in 2015. He said that in 2016 the security authorities had seized a total of 68.4 tonnes (t) of drugs – setting a new record compared with 2015 when 58.1t were seized.

### Quotes of the week

“At a time of growing scepticism about the benefits of economic openness the [‘Belt and Road’] forum presents an opportunity to look beyond the present circumstances and work together towards lasting development.”

*Chile’s President Michelle Bachelet.*

“He’s wasting his time. It’s like when you flirt with a girl who is never going to give you the time of day.”

*Carolina Goic, the presidential candidate of Chile’s centre-left Democracia Cristiana, warns former president Sebastián Piñera off trying to seduce DC voters.*

“The government talks like Allende but governs like Pinochet.”

*Venezuelan opposition deputy Carlos Paparoni.*

### Ecuador’s Moreno promises consensual politics

Ecuador’s president-elect Lenín Moreno is promising a government based on “dialogue, solidarity and diversity”. Moreno made the promise during a protocolary ceremony on 16 May in the legislative assembly. He echoed the words of the new president of the legislative assembly, José Serrano, of the ruling left-wing Alianza País (AP), who took his seat along with other elected deputies two days earlier for the new session. The political opposition gave a wary response, saying it would wait for concrete action beyond words. The AP, which has a diminished majority, dominates the legislative leadership committee.

Addressing around 100 guests, including legislative deputies, the military top brass, officials from the national electoral council (CNE), and foreign diplomats, Moreno promised to be “the president for all Ecuadoreans”. Praising the social achievements of the last decade since President Rafael Correa took power at the helm of his Citizens’ Revolution, Moreno said that after his investiture, on 24 May, he would govern with “humility” and, ever conscious of the country’s diversity, place a premium on “dialogue”.

Serrano too promised political openness and consensus-building, while being sworn-in as president of the legislative assembly, along with fellow AP deputies Viviana Bonilla and Carlos Bergmann as first and second vice-presidents respectively. Deputy Cristina Reyes, of the opposition Partido Social Cristiano (PSC), gave a succinct response: “[the AP] must do more than say it is democratic, it must be democratic”. The AP, which has 74 of 137 seats, down from 100 but still a majority, will preside over 11 of the 12 legislative committees. The one exception is the citizen participation commission, which is ironic as this is the professed overriding priority of the Citizens’ Revolution.

Bonilla and Bergman urged the opposition to work in the interests of the country and to establish accords above partisan differences. Deputy Patricio Donoso implied that the AP’s vision of national unity was for the opposition to support its proposals. Donoso said that the main opposition coalition Movimiento Creo-Movimiento Sociedad Unida Más Acción (Creo-Suma), to which he belongs, had proposed 38 bills in the last legislative assembly – and they were all archived. Donoso and the PSC’s Luis Fernando Torres will be the sole opposition representatives on the seven-strong legislative leadership committee.

### LatinNews Daily

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

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

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

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

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