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China deepens Central American diplomatic incursion

Two developments with significant implications for Panama took place on the same day this week – one diplomatic and one political. The most eye-catching headline was the announcement by Panama’s President Juan Carlos Varela that his government had severed diplomatic relations with Taipei and embraced Beijing’s ‘One China’ policy. Panama thus joins Costa Rica as the only countries in Central America to break relations with Taiwan in favour of China. Speculation abounds that the sub-region’s other nations – El Salvador, Guatemala, Honduras and Nicaragua – will follow suit imminently. At a domestic political level, the announcement that Panama’s former president Ricardo Martinelli (2009-2014) had been arrested in his house in Miami will have important ramifications for the Varela administration’s commitment to combat corruption.

China, President Varela argued in a televised address, had always played a significant role in Panama’s economy but was now more important than ever before: the world’s second superpower; the second most important user of the Panama Canal; a major investor in the country; and the principal supplier of merchandise for the Colón free zone. As such, Varela argued, “this was not a situation that a responsible leader could allow to go on”.

While Varela was speaking, a Panamanian delegation headed by vice-president and foreign minister Isabel Saint Malo de Alvarado was in Beijing signing a formal record for the establishment of diplomatic relations with China’s Foreign Minister Wang Yi. “This is a historic moment,” Wang said, explaining that the “beneficial” cooperation between the two countries would help to drive “development and shared prosperity”.

Key ally

Panama was arguably Taiwan’s most important ally. Third in terms of GDP, after Guatemala and the Dominican Republic, and per capita income, geo-strategically it had been the most coveted of Taipei’s remaining allies. In the last fiscal year China transported 38m tonnes (t) through the Canal, the equivalent of 18.9% of the total tonnage to transit the waterway. And this will only become more important as China seeks to get its ‘Belt and Road’ global infrastructure development initiative off the ground. Only last week Varela announced that the China Communications Construction Company would be beginning work on a US\$1bn deep water container port, located on Isla Margarita in Colón province, which would have the capacity to accommodate neo-Panamax ships, modern wide-beam vessels with a cross-section of 19 container rows on deck.

As part of its long-running diplomatic strategy to tighten the noose on Taiwan, held in abeyance while Taipei was deemed by Beijing to be behaving

Varela on China switch

“Taiwan has been a major friend of Panama and we are grateful for its friendship and cooperation during the time that we enjoyed diplomatic relations,” President Varela said in his televised address. “I’m certain that this step will benefit both of our nations and future generations,” he added. Intriguingly, Varela announced Panama’s severance of ties with Taiwan just days before he heads to the US for talks with President Donald Trump.

cooperatively rather than obstructively, China required Panama to declare that Taiwan forms an inalienable part of Chinese territory and to promise to end all relations and official contact with Taipei. China is redoubling its efforts to chip away at the remaining nations that recognise Taipei (now 20) after the souring of bilateral diplomatic ties in the wake of the presidential electoral triumph of Tsai Ing-wen last year. Even before her investiture, China re-established relations with Gambia, which had been in diplomatic limbo since 2013 when it severed ties with Taipei in the hope of a lucrative partnership with Beijing, and last December it forged ties with São Tomé and Príncipe.

Central American loyalty put to the test

Panama’s desertion of Taiwan immediately prompted speculation that the other nations in the sub-region would be next. Compelling cases could be made for two of them. Nicaragua would seem to be the most likely on paper. It enjoyed ties with China under the left-wing Frente Sandinista de Liberación Nacional (FSLN) in the 1980s after all, but perversely it might have been put off by Costa Rica’s switch from Taiwan to China given the perennially tense relations with its southern neighbour.

El Salvador’s economy is growing at the slowest rate in Central America and an influx of investment from China could help to lift it out of the mire. Ideologically speaking the incumbent government led by President Salvador Sánchez Cerén of the left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) shares a closer affinity with China, which could provide a counterweight to US dominance in the country. Guatemala and Honduras enjoy closer ties with the US and could be reluctant to rock the boat.

Ultimately all four nations ought to be constrained, in theory, from following Panama’s lead by the fact that they are members of the Central American integration secretariat (Sica), unless they decided to switch allegiance en masse, but even if they could agree on this between them, which is unlikely, China favours a slower erosion of Taiwan’s global influence.

The Caribbean countries that remain aligned with Taiwan are Belize, the Dominican Republic, Haiti, St Kitts & Nevis, St Lucia (which in 2007 famously caused a diplomatic ruckus by re-establishing ties with Taiwan after 10 years of adhering to the ‘One China’ policy), and St Vincent & the Grenadines. From China’s perspective the Dominican Republic would provide the biggest coup, especially considering its membership of the Central American Free Trade Agreement (Cafta-DR), and the access this provides to the US market.

Martinelli arrested

Allegations of corrupt use of Taiwanese donations have dogged several Panamanian governments over the years including that of Varela’s predecessor Ricardo Martinelli, who was arrested in Miami, where he has been since January 2015, on the same day that Panama established diplomatic relations with China. Martinelli is wanted by the Panamanian judiciary to face trial on charges of corruption and political espionage.

The Varela administration sought Martinelli’s extradition from the US last September. Interpol issued an arrest warrant for the former president in April. He stands accused of embezzling US\$45m from a government social fund and using US\$13.4m of public funds to spy on some 150 political opponents. Rodrigo Sarasqueta, a senior figure in Martinelli’s party, Cambio Democrático (CD), wrote on *Twitter* that there was “no cause for alarm” and that the former president would be released shortly. Martinelli, who appeared before a US federal court in Miami on 13 June, maintains that he is the victim of political persecution from Varela who had served as vice-president in his administration.

Ructions appear in ruling party

President Lenín Moreno appears to be taking a ‘no-prisoners’ approach in his new multi-pronged effort to combat corruption. In doing so, Moreno risks casting a shadow over the decade in power of his predecessor Rafael Correa (2007-2017). The ruling left-wing Alianza País (AP) appears on board with Moreno’s efforts, for now. The question is whether it will remain so as the lid is lifted on a potential Pandora’s Box of government corruption scandals.

On 14 June, officials from Ecuador’s attorney general’s office raided the headquarters of the Empresa Pública Metropolitana Metro de Quito (EPMMQ) in search of information related to the construction of the Quito metro by the disgraced Brazilian construction firm Odebrecht.

The raid came five days after a meeting between Ecuador’s deputy attorney general, Thania Moreno, and Colombia’s anti-corruption prosecutor, Juan Delgado, to exchange information about the Odebrecht case. Also on 9 June, Ecuador’s attorney general, Carlos Baca Mancheno, announced a cooperation deal with Brazilian prosecutors, and separately with Odebrecht, to facilitate investigations into the company’s bribery activities in the country. In plea bargain testimony in Brazil, the US and Switzerland, Odebrecht has admitted to payment of an estimated US\$33.5m in bribes to officials and/or intermediaries between 2007 and 2016.

EPMMQ began as a consortium between Odebrecht and the Spanish company Acciona, and in late October 2015 was awarded a US\$1.5bn contract to construct tunnels, 13 of the line’s 15 stations, electrical and mechanical systems, and depot and stabling facilities. Phase one of the scheme, for two stations (La Magdalena and El Labrador), had previously been awarded to Acciona in 2012, under the former mayor Augusto Barrera (2009-2014), of the AP. That work was completed, albeit at a considerable cost overrun. The cost of phase one was a major issue raised by Mauricio Rodas in the 2014 municipal elections, who won the mayoralty on a ticket for the centrist Sociedad Unida Más Acción (Suma), which he founded, and in the process delivered a major blow to the AP and then-president Correa.

Following a further tender for the main works, the second phase started in January 2016, under Rodas. The tender was not without controversy, amid severe financing difficulties that Rodas attributed to the poor budget management of his predecessor. The municipality of Quito and the central government are financing 63% of the project, with the rest backed by the Inter-American Development Bank (IBD), the European Investment Bank (EIB), the World Bank and the Latin American Development Bank-CAF.

The contract was awarded to the lowest-priced bid. It was approved even as Odebrecht’s CEO (Marcelo Odebrecht) and other senior company executives were already in jail in Brazil on major corruption charges. At the time, the EPMMQ company manager, Mauricio Anderson, stated that he saw no problem with Odebrecht winning the contract, noting that the four multilateral lenders had evaluated the entire project and had not raised any objections. A computer used by Anderson was seized in the latest raid. In October 2016, a year after the US\$1.5bn tender, Rodas received a request from the consortium for an amendment to the contract, after Odebrecht announced its withdrawal from the consortium. That request was approved by the four multilaterals

New evidence

Following his trip to Brazil, Attorney General Baca stressed that there would be “no immunity” for anyone guilty of corruption in Ecuador under the new cooperation agreement and stressed, moreover, that Odebrecht was not the only company under scrutiny for irregular behaviour linked to public sector contracts. Baca said his trip to Brazil had provided him with substantial new evidence.

Glas to appear before assembly

Ahead of his appearance before the national assembly's audit commission, opposition deputies are focusing on three trips Jorge Glas made to Brazil in 2011 as coordinating minister for strategic sectors and his role on the technical committee overseeing the adjudication of public works contracts. AP Deputy Gabriela Rivadeneira, a Correa loyalist and former assembly president, declared that Glas would "defend the last 10 years of the Citizens' Revolution". Yet for some in the AP, the departure of Glas might be seen as 'a price worth paying' to clamp down on the swirling corruption allegations around the party.

financing the project. On 21 April, Rodas authorised the revised contract and, seven days later, confirmed that Odebrecht would quit the consortium.

Rodas has denied any irregularities relating to the 2015 contract award, but it was once again an issue in the February 2017 general election campaign. Rodas accused the AP of attempting to deflect from the Correa government's own problems with corruption, including embezzlement at the very top of the state oil company Petroecuador and a range of potential problems relating to public works projects awarded to Odebrecht.

To date, just one former government official has been prosecuted as part of the Odebrecht investigations: a former electricity minister, Alecksey Mosquera, was arrested in April on charges of accepting US\$1m in bribes for the Toachi-Pilatón hydroelectric project. All last year, the political opposition complained that the comptroller general, Carlos Pólit, was deliberately stalling so as to shield the AP.

Pólit's arrest was ordered on 2 June, but like several other senior government officials in the past year, he appears to have fled the country. To some surprise, the new president of the still AP-controlled national assembly, José Serrano (considered a Correista), subsequently announced that the body would launch impeachment proceedings against Pólit, on the grounds of dereliction of duty. Pólit served three consecutive terms under Correa and was last ratified in his post in March 2016.

Correa's former public works minister, Walter Solís (2015-2016), has also now been implicated in corruption, after a judge issued a preventative detention order on the grounds of suspected malfeasance of public funds. Solís also served as housing minister and head of the national water secretariat (Senagua) under Correa. On 11 June, Solís's defence lawyer, Gutemberg Vera, issued a statement pointing out that there was "no link or prior investigation" into his client in relation to the Odebrecht case. Vera criticised local media for falsely reporting otherwise, accusing the mainstream press of "malicious bias aimed at attacking the [Correa] government". Vera added that Solís was prepared to give a statement, as long as his constitutional and human rights were respected.

Finally, Vice-President Jorge Glas is under mounting pressure. Glas has been linked (on the basis of the April 2016 'Panama Papers' leak, and the Odebrecht plea bargain testimony) both to the Petroecuador embezzlement case and also to the Odebrecht case. The fugitive former hydrocarbons minister and ex Petroecuador president, Jorge Pareja Yannuzzelli, has directly accused Glas of being fully aware of and involved in corruption when in the Correa cabinet. A twitter handle – @capayaleaks – appears to be run by Yannuzzelli to make these accusations. (Yannuzzelli himself is accused of receiving US\$1m in offshore payments in his six-month ministerial stint in November 2015-May 2016, payments that appeared in the Panama Papers).

Glas alleges a coup

On 14 June, Glas claimed that a "coup d'état" was in process, beginning with the destruction of his reputation. He compared this 'coup' to what had happened to the recently toppled left-wing government in Brazil. He said his hands were clean and insisted that Odebrecht must "get out of the country". He said he was not afraid to appear before the assembly's audit commission, comprising eight AP and four opposition deputies. The opposition leader and defeated 2017 presidential candidate Guillermo Lasso (Movimiento Creo-Suma) suggests that Glas must take political responsibility for a lack of supervisory control of those sectors under his remit as vice-president. Earlier, Roberto Gómez (Creo-Suma) had threatened impeachment proceeding against Glas.

The battle for the constitution

Attorney General Luisa Ortega Díaz, backed by concerted protest action on the streets organised by the political opposition, seems determined to force Venezuela's political crisis to a denouement. In her most daring intervention yet, on 8 June, Ortega called on the country's citizens to reject President Nicolás Maduro's constituent assembly process and denounced "the ferocious repression" of anti-government protests. Ortega also accused the supreme court (TSJ) of "accelerating the crisis" in Venezuela.

Ortega issued her call after lodging an appeal with the TSJ's electoral chamber requesting that it annul, and immediately suspend, the constituent assembly process launched by the Maduro government. In doing so, Ortega went around the TSJ's constitutional chamber, which had earlier ruled that the constituent assembly process could proceed with prior public approval via referendum (and then immediately rejected Ortega's request for clarification).

In her 8 June complaint, the attorney general also accused the government-controlled national electoral council (CNE) of breaching constitutional guarantees, including universal suffrage, after the CNE rubberstamped Maduro's irregular terms for the constituent assembly election process. "The appeal I am attempting is to defend the rule of the people," Ortega stated.

A firm believer in the original Bolivarian Socialist project envisaged by the late president Hugo Chávez (1999-2013), Ortega has also cast her arguments with the Maduro government since April in terms of Chávez's legacy. "With this [constituent assembly process] we are destroying President Chávez's legacy," Ortega declared on 8 June. "A constituent [assembly] behind the backs of the people cannot be". Brandishing the pocket edition of the 1999 constitution and surrounded by press inside the TSJ building, Ortega called "all Venezuelans" to action under Article 333, which vests every citizen with a duty to assist in restoring the constitution if it "ceases to be observed due to acts of force". It was a dramatic call.

Four days later, on 12 June, the electoral chamber rejected the appeal as inadmissible. But the very next day, Ortega was back to file another. This time she switched tack again, claiming that 13 judges (and 20 alternates) – appointed to the TSJ on 23 December 2015 by the outgoing government-controlled national assembly – were installed via 'an irregular process' and should be replaced. These 13 appointees included members of the constitutional chamber that went on to rout the national assembly at every turn – to the extent that the full chamber – and the TSJ president Maikel Moreno – were recently placed under sanction by the US government.

The now-opposition-controlled assembly has already been in the process of seeking to remove those same magistrates – a largely symbolic effort given that the TSJ last year ruled the legislature in contempt and all its activity null and void. This week it continued with that effort.

As part of her complaint, Ortega *also* asked the TSJ to strip the immunity from prosecution of the seven constitutional chamber magistrates (plus the TSJ president), again on the grounds of their irregular appointment, which, she said, "puts the nation at risk". "It would be the death of the rule of law if we allow these magistrates to continue in that chamber," she stated.

TSJ magistrates have immunity under the 1999 constitution. In order to be removed from office, they must first be investigated by a commission

Venezuela in default?

The International Swaps and Derivatives Association (ISDA) has confirmed that it received an anonymous request as to whether a reported Venezuelan default on some US\$950m of export loans from Russia placed the country in wider default. Reportedly, the loans were used to finance arms purchases.

Córdoba launches presidential bid

On 13 June former senator Piedad Córdoba (2006-2010) launched her presidential bid ahead of Colombia's general elections next year. Córdoba, who plans to run as an independent, may not be considered a contender but her bid is significant for the country's peace process. Córdoba was stripped of her senate seat and banned from holding public office for 18 years in 2010 after the prosecutor general's office found her guilty of collaborating with the Farc, with which she always had contact. However, Córdoba's conviction was overturned by the council of state (the highest administrative court) in August last year on procedural grounds. There is speculation that Córdoba's presidential bid will be endorsed by the Farc.

known as the 'republican moral council'. This comprises the attorney general herself, the public ombudsman, and the comptroller general – both of whom remain loyal to Maduro. Again, Ortega's move appears likely to be rejected, but the TSJ is having to come up with ever-more convoluted responses to her challenges. In its one-line *Twitter* response to her appeal, the electoral chamber ruled her filing inadmissible for "an inept accumulation of pretensions". With these methodical and apparently planned series of legal interventions, Ortega is slowly but surely turning the screw, raising the stakes for Maduro and those authorities providing him with legal cover for his government's constitutionally dubious efforts to cling onto power, apparently at whatever cost to the country.

The question as to whether Ortega will survive in office is ongoing. Deputy Pedro Carreño of the ruling Partido Socialista Unido de Venezuela (PSUV) has called on the TSJ to order a medical committee to evaluate Ortega's mental health. "It is obvious to everyone she's not right in the head," Carreño declared. More alarmingly, Ortega has also complained of threats to her and her family. "Patrol cars that look like the Sebin [Bolivarian intelligence service] harass them. They follow them," she told journalists. Noting too the "public and blatant" threats against her by government officials, Ortega warned that she would hold Maduro responsible for her safety and that of her family.

Technically, Maduro cannot remove the attorney general without the support of the national assembly. However, the TSJ has ruled the opposition-controlled assembly in contempt, and has since rubberstamped Maduro's ruling by executive decree. To remove Ortega on some trumped up grounds could prove very politically costly for Maduro.

COLOMBIA | SECURITY

Operation strikes oil thieves in Catatumbo

The Colombian army announced this week that it had dismantled two structures used by presumed Ejército de Liberación Nacional (ELN) guerrillas to tap oil pipelines in the north-eastern Catatumbo border region. The operation has been hailed by the army as a major blow to oil thieves and the black market of petrol fuels in the area. It should also weaken the ELN's finances and increase pressure on the guerrilla group to cede ground in the formal peace negotiations taking place with the government.

The announcement of the destruction of the structures was made on 13 June. An army statement said that as part of 'Operation Jarillón' its 'Vulcano' task force, deployed to combat organised criminal organisations in the Catatumbo region (located in Norte de Santander department and extending into Venezuela), had located and dismantled the structures after obtaining information about their existence from the local community.

The statement said that the wooden structures were part of two separate clandestine oil refining complexes discovered deep in the jungle, in which they found close to 400,000 gallons of crude oil stored in two concrete pools; five rudimentary crude distillation towers; seven motor pumps; and 18 petrol fuel containers with a capacity to hold 255 gallons each.

According to the army, the structures and the complexes belonged to the ELN's 'Héctor' front that operates in the area. Stating that the refined fuel was being readied to be sold on the black market and/or to be used in the production of cocaine base paste, the army statement said that 'Operation Jarillón' had delivered "a blow to the ELN's theft of hydrocarbons", which is one of the links in the illicit drug-trafficking business in the Catatumbo

More Farc members enter ZVTNs

The head of the UN special peace verification mission, Jean Arnault, said on 13 June that 2,800 individuals that identified themselves as being members of or collaborators with the Farc have entered the ‘transitional concentration zones’ (ZVTNs) in recent weeks. Arnault noted that many of these individuals were not necessarily Farc fighters but members of the guerrilla group’s support network, but that nonetheless they were allowed the opportunity to enter ZVTNs as all Farc members seek to begin their “transition into normal life under the rule of law”.

region, which is in turn one of the ELN’s main areas of influence. As such, ‘Operation Jarillón’ has been seen as an attempt to attack one of the ELN’s main sources of financing in order to weaken the guerrilla group, which since the establishment of the formal peace negotiating table with the government at the start of the year has launched a new military offensive targeting the security forces as well as oil industry infrastructure.

Pointedly, ‘Operation Jarillón’ came after the head of the government’s peace negotiating team with the ELN, Juan Camilo Restrepo, called for an increase in military action against the guerrilla group in the wake of its persistent attacks [WR-17-22]. Restrepo said that this was necessary to deter the ELN from carrying on with its military offensive and to increase the pressure on the guerrilla group to advance talks towards the establishment of a bilateral ceasefire.

Adopting a tougher stance against the ELN in order to accelerate the peace negotiations, which have so far produced little progress, might prove to be counterproductive. Following the start of the second round of talks earlier this month, the ELN leadership accused the government of “freezing” the negotiations on 10 June.

In a series of tweets the ELN peace negotiating team said that the government delegation had decided to suspend temporarily the implementation of all the pre-agreements that they have reached so far. Previously, Restrepo had condemned the fact that despite it being one of the conditions for establishing the peace dialogue table, the ELN has continued to kidnap individuals, only for ELN leader ‘Gabino’ (Nicolás Rodríguez Bautista) to insist that kidnapping is part of the ELN’s “nature” and that the group would continue doing so as long as it maintains its insurgency against the Colombian state.

In its tweets, the ELN negotiating team also said that “differences” remained between the two sides over issues pertaining to the discussions on ‘humanitarian actions and dynamics’. However, it added that the two sides had agreed to include the issue of “a bilateral cessation of hostilities” in the dialogue agenda, even if the discussion of this was still some way off. The negotiations with the ELN appear to have reached an early stalemate. This may go a long way to explaining Restrepo’s calls to increase military actions against the ELN and the launch of ‘Operation Jarillón’.

Farc disarmament progresses

In contrast to the lack of progress in the peace negotiations with the ELN, the peace process with Colombia’s main guerrilla group, Fuerzas Armadas Revolucionarias de Colombia (Farc), reached another significant milestone this week.

On 13 June, the Farc leadership announced that it would begin handing an additional 30% of its arsenal to observers from the United Nations (UN) as part of its formal disarmament and demobilisation process as agreed in the peace accord it signed with the government last year. The close to 7,000 Farc fighters that adhered to the formal disarmament and demobilisation process concluded the handing over of the initial 30% of their arsenal on 8 June.

By the time the second stage of the process is concluded, Farc fighters will have relinquished over half of all their weapons, with the entire disarmament process due to be concluded by 20 June. In a symbolic act held at one of the Farc’s ‘transitional concentration zones’ (ZVTNs) in the southern department of Cauca, the head of the UN special peace verification mission, Jean Arnault, said that the UN was witnessing the start of the final phase of the disarmament process. Arnault added that while Colombia’s peace process has had “discouraging episodes” and “moments of scepticism”, it has advanced thanks to the government and Farc’s “perseverance and determination to overcome all the challenges that they have encountered on the way”.

Electoral court rules Temer can stay**Temer fighting back?**

In a surprise move, President Temer has allegedly launched a counter attack against STF justice Edson Fachin, who is in charge of 'Operation Car Wash'. The day after he was acquitted by the TSE, on 10 June, local magazine *Veja* accused Temer of using Brazil's intelligence agency (Abin) to spy on Fachin. If substantiated, the allegations would constitute an "extremely serious crime, reminiscent of Brazil's dictatorship," STF head Cármen Lucia Antunes said. The government has denied the allegations.

Brazil's top electoral court (TSE) has cleared President Michel Temer of charges of economic and political abuses, allowing him to cling on to the presidency. He was acquitted by a narrow four votes to three. This has given the country's embattled president a new lease of life, following intense pressure for him to resign over multiple corruption allegations.

The TSE tried President Temer for receiving illicit campaign donations in 2014 whilst running mate to erstwhile presidential candidate Dilma Rousseff (2011-2016). If found guilty, Temer would have lost his presidency and Rousseff, who was impeached last year, would have lost the right to run for political office.

Leading the case was justice Hernan Benjamin, who took three days to read 55 pages of charges against Rousseff and Temer, which he ill-fatedly described as "incontestable". On the fourth day, Benjamin was the first justice to cast his vote in favour of annulling the Rousseff-Temer ticket and impeaching Temer. Conscious that this was the first time for the TSE to judge a sitting president, Benjamin urged other justices to consider the case carefully and reflect on their democratic duties to call out corruption. "There will not be another chance to clear up facts of this nature," he said.

However, the majority of the TSE's seven justices voted against him, alleging insufficient evidence. Justice Gilmar Mendes argued that while justices are democratically elected, they should not be slaves to public opinion following a series of protests calling for Temer's ouster. "It's easy to present the moral argument. No one is going to lecture me about combating corruption because I want the same thing.... But we have to analyse the questions from a constitutional perspective. If we ask what the people want... isn't that how a constitution is destroyed?" he argued.

Another argument which may have swayed justices to keep Temer in office was the fear of triggering another political crisis following the impeachment of Rousseff last year. "You don't just remove a president whenever you please," Mendes said.

Narrowing the scope

The crux of the corruption case came a day before the final verdict. The same justices who voted to annul the charges against Temer opted to disregard a glut of evidence concerning the illicit campaign donations from executives at the construction company Odebrecht due to a technicality. Since the case against the Rousseff-Temer ticket was first filed in 2014, justices opted to exclude evidence from all new anti-corruption evidence which has been unearthed since then.

Benjamin bemoaned the court's decision to exclude potentially incriminating evidence which was already in the public domain. "I cannot speak for any of the other justices sitting on this bench...but I refuse to bury living proof. I can attend the funeral but I won't carry the coffin," he said.

Justices under scrutiny

Following his acquittal, Temer was quick to applaud the work of Brazil's institutions for "acting independently". Others would beg to differ. Of the four justices who voted to save him, two were appointed by Temer earlier this year and another was an old friend.

Temer holds on to most important ally

During a meeting held on 12 June, the interim president of centre-right party Partido da Social Democracia Brasileira (PSDB), Tasso Jereissati, affirmed his party will continue its alliance with the ruling Partido do Movimento Democrático Brasileiro (PMDB). Cracks in the alliance began to form after President Temer came under fire for multiple corruption charges but all seems to be forgiven – for now at least. Maintaining the PSDB's loyalty is essential for Temer to carry out his promised economic reforms, given that it is the third-largest party in congress.

On 9 June, Vice-Prosecutor General Nicolao Dino unsuccessfully asked the TSE to remove one of the justices appointed by Temer, Admar Gonzaga, from the case due to concerns about political bias. Gonzaga's impartiality to judge Rousseff and Temer has been questioned due to his previous experience working as a lawyer for Rousseff. Moreover, he previously contributed to Rousseff and Temer's joint 2010 election campaign. But Gonzaga claimed to have let go of all these ties before he accepted the TSE position this April.

Given the questionable political affiliations of some of the justices, *Folha de São Paulo* columnist Bernardo Mello Franco described the TSE court case as anti-climactic. The final verdict was "an expression of submission" to the government, signalling that despite the progress made by the long-standing anti-corruption investigation 'Operation Car Wash', legal impunity for Brazil's political elite prevails.

Moreover, by failing to press charges against the current government, the court may be doing a disservice to future generations. Acquitting Temer could undermine the need to reform Brazil's flawed electoral system ahead of the next direct elections in 2018, paving the way for more economic and political abuses.

More stability?

News that Temer is likely to stay comes as some relief to investors, who see his tabled labour and pension reforms as essential for restoring economic stability. While Brazil's currency and stock market are still volatile, they have not collapsed, signalling that some confidence in Temer's key policies remains.

However, Temer is not yet in the clear and still faces other corruption charges. He was recently cited in a plea bargain agreement from an executive at the meatpacker JBS who accused him of paying bribes, which could trigger another lawsuit from Brazil's supreme court (STF). This follows the release of a secret conversation with another senior figure at JBS in which Temer appears to endorse the payment of hush money.

The JBS case is unlikely to oust Temer since pressing charges would require a two-thirds approval in the federal congress (where Temer still has a majority) before it reaches the STF. But the allegations could further tarnish Temer's reputation and reduce his bargaining power to push unpopular reforms through congress. This could make Temer more susceptible to cave in to congressmen's demands, including, potentially, pork barrel money.

'King' Cabral convicted

Former Rio de Janeiro governor for the ruling Partido do Movimento Democrático Brasileiro (PMDB) Sérgio Cabral (2007-2014) has been sentenced to 14 years and two months in prison for money laundering and corruption. Cabral was first placed under preventative arrest last November as part of the anti-corruption investigation 'Operation Car Wash'.

Known as the 'King of Rio' during the height of his power, Cabral was once touted as a possible presidential candidate. But Cabral's flamboyant lifestyle precipitated his downfall. Prosecutors allege he pilfered over US\$100m from public accounts to pay for fine jewellery, luxury services, and frequent trips abroad. This includes US\$1.2m in expenses to pay for private helicopter flights for him and his family.

Now Rio de Janeiro is bankrupt. During Cabral's conviction, federal prosecutor Sérgio Moro blamed him for the state's current predicament. "The failed situation of Rio de Janeiro state cannot be ignored, nor the suffering of its people, which despite being the result of many factors, also has its origins in the systematic graft committed by the ex-governor and his allies," Moro ruled.

New economy

During his address to supporters, Senator Guillier proposed a “new economy”, moving away from “a rentier economy based solely on the exploitation of our natural wealth”, principally copper, to one which places an emphasis on knowledge and innovation. He announced a plan to double investment in physical infrastructure from the current level of 2.2% of GDP to 4.4%, financed by the public purse and private investment: “a public-private alliance, yes, but with a difference: the state will indicate the strategic direction and the private sector will follow”. He also maintained that his economic policy would favour growth, macro-economic stability, and fiscal responsibility.

Goic-Guillier grudge splits ruling coalition

Senator Alejandro Guillier, the presidential candidate for Chile’s ruling Nueva Mayoría coalition, presented his campaign platform at a rally at the weekend. Addressing some 5,000 supporters, Guillier emphasised his commitment to continuing the work carried out by President Michelle Bachelet, mentioning her name on no fewer than five occasions during his speech. Carolina Goic, the president of Democracia Cristiana (DC), the disaffected centrist party for which she is going to stand in November’s presidential elections rather than participate in primary elections on 2 July against Guillier, criticised his speech for failing to acknowledge any of the Bachelet administration’s failings.

“We have come a long way and we’re not going to look back,” Guillier said during his address. Guillier stressed that he would preserve and expand the incumbent government’s reforms in areas such as education, health, pensions, decentralisation, infrastructure, innovation, indigenous issues, gender equality, and sexual diversity.

The president of the Partido Radical (PR), Ernesto Velasco, one of six parties backing his candidacy, sought to maintain that “Alejandro Guillier is continuity and change: continuity, because it is necessary to deepen these reforms and manage them better; but also change to ensure other [unspecified] emphases.” Deputy Guillermo Teillier, the president of the Partido Comunista de Chile (PCCh), echoed Velasco’s words. “It is logical that the advances of the government of President Bachelet should form the foundation [of his campaign platform],” he said.

Guillier thanked the PR, PCCh, Partido Socialista (PS), Partido por la Democracia (PPD), Izquierda Ciudadana, and Movimiento Amplio Social (MAS) for agreeing to back his candidacy, insisting that despite being an independent he would be their “representative”. Guillier also called for unity within the Nueva Mayoría, stressing on several occasions that “our strength is in unity”.

“It is a historic responsibility: we cannot break the alliance that brought social and political stability to Chile and which allowed not just advances in freedom and democracy but is also beginning to construct a different Chile,” Guillier went on. This was interpreted as a call to the DC, which has put forward Goic to compete directly in the first round of November’s presidential elections and not July’s primary elections, but if so it fell on deaf ears.

“There is no unity in this empty call,” Goic said, “merely pressure and threats”. She went on to accuse Guillier of taking the coalition to the Left. “A centre-left alliance does not exist without the DC,” Goic said, taking aim at the inclusion of PCCh deputy Karol Cariola, a former student leader, in Guillier’s team: “it is no surprise that his spokesperson is a communist girl”. This is all well and good, Goic argued, to compete with the nascent coalition of small leftist parties, Frente Amplio, but the Nueva Mayoría no longer had a foothold in the centre ground. She said that this left out a significant amount of people that want change - not wholesale but with common sense – and a much more inclusive country, not swinging to the Left.

Goic also said Guillier’s speech lacked “the least self-criticism as regards the mistakes that we have made that have resulted in the loss of public confidence – which is what [the DC] wants to amend”. The constituent parties within the Nueva Mayoría did not take kindly to her criticism. They cancelled a meeting which was scheduled to take place in DC headquarters this week to address pressing issues such as the list of regional governors and the strategy they intend to pursue with regard to selecting candidates to represent the ruling coalition in concurrent congressional elections.

Chile bonds and growth

The government of Chile issued US\$2.3bn of bonds on international markets this week. With presidential and congressional elections due this November, the government decided this was an appropriate moment to issue bonds. Chile's fiscal position is strong but the economy is struggling to pick up. On 5 June the central bank reduced its growth forecast for 2017 to a range of between 1% and 1.75% from a range of between 1% and 2%.

ARGENTINA | New federal mining agreement. On 13 June, Argentina's federal government led by President Mauricio Macri announced that it had signed a new federal mining agreement with 21 of the country's 23 provinces to promote the development of mining activity across national territory. According to a press release issued by the Macri administration, the new deal unifies the various existing provincial mining legislation into a common set of rules that should help attract foreign investment to the sector, improve environmental standards, and promote the overall development of mining in Argentina.

The press release notes that the agreement is specifically focused on promoting the use of environmentally friendly and sustainable mining practices, as well as improving transparency for the sector and maximising the benefits that local communities receive from mining activity. In this regard, it stipulates that provincial governments can charge royalties of up to 3% on the gross income produced by mining projects located in their territories, and a maximum 1.5% levy on mining sales to raise resources to fund local infrastructure development projects. The agreement also establishes the creation of a national mining information centre and a unified national mining survey.

President Macri, who attended the signing of the new agreement by his energy & mining minister, Juan José Aranguren, and the provincial governors in the national capital Buenos Aires, said that in his view mining is "an activity that could be one of the pillars of job creation" in Argentina given the country's unlocked potential in this area. However, the agreement was criticised by industry sources, including members of the Argentine chamber of mining businessmen (CAEM), which advocates the introduction of a progressive taxation system based on the utility of each project instead of sales revenue, as has been implemented in places like Chile and Peru. The introduction of such a differentiated taxation system was resisted by some provincial governments (in fact, no consensus on this could be reached with the provincial governments in Chubut and La Pampa). Nevertheless, the federal government agreed to hold round tables with CAEM and provincial government representatives to analyse and discuss issues related to the productivity, taxation, and infrastructure costs faced by the mining sector in each province.

URUGUAY | Enhancing infrastructure. Uruguay's economy and finance minister Danilo Astori announced this week that the government led by President Tabaré Vázquez had been granted a 17-year loan of US\$70m from the World Bank in order to improve road infrastructure. This is a key demand made by the Finnish firm UPM if it is to go ahead with plans to construct its second (and the country's third) pulp mill.

The government and UPM concluded, on 3 May, the preparation phase, the first of three rounds of talks over the principal issues surrounding the construction of this plant in Paso de los Toros, a small town on the Río Negro, located in the north-central department of Tacuarembó. This phase focused on the requisite infrastructure to make the US\$5bn pulp mill project viable, specifically the modernisation of obsolete railway tracks linking the pulp mill to the port of Montevideo, as well as repairing and improving the road network.

"The road infrastructure enhancements will begin immediately and unless I'm mistaken some already have," Astori said. He added that it was important for Uruguay to be careful with its finances but that the long-term nature of this loan, with favourable interest rates, would mitigate the fiscal impact of this essential investment.

Also this week the economy and finance ministry announced the issuance of US\$1.25bn of five-year bonds on international markets at a rate of 9.875%. A total of one-fifth of this amount involved the purchase of sovereign bonds due to expire within the next 18 months.

Opposition wrestles with electoral fallout**Legal challenge**

The gubernatorial candidate for Morena in Edomex, Delfina Gómez, accused her rival from the PRI, Alfredo del Mazo Maza, of surpassing the campaign spending limit of M\$285m (US\$15.9m) by 44%, which she said ought to be enough in itself for the elections to be annulled. Gómez also alleged vote buying totalling M\$4,500 (US\$248) per vote, while addressing an extraordinary Morena party congress convened on 10 and 11 June in the capital. Gómez failed to present any evidence for these claims but she insisted the party had provided this to the state electoral institute (IEEM).

Despite being pushed desperately close in gubernatorial elections held on 4 June, the Partido Revolucionario Institucional (PRI) retained its stranglehold on both Mexico's most populous state, Estado de Mexico (Edomex), and the northern state of Coahuila, neither of which have experienced alternation of power before. The national electoral institute (INE) took a full week to release the final results which saw opposition parties wipe out the large majorities the PRI had obtained in the previous elections in both states but narrowly fail to muster sufficient votes to win.

Neither the radical left-wing Movimiento Regeneración Nacional (Morena) led by presidential frontrunner Andrés Manuel López Obrador nor the right-wing Partido Acción Nacional (PAN) took defeat lying down in Edomex and Coahuila respectively; both cited irregularities and are mounting legal challenges (*see sidebar*). The gubernatorial candidate for Morena in Edomex, Delfina Gómez, was correct in asserting that Morena had made "the PRI machine tremble" in its main bastion and indeed the native state of President Enrique Peña Nieto.

Gómez also took aim at "the unbounded ambition" of Juan Zepeda, her rival from the left-wing Partido de la Revolución Democrática (PRD) and its leadership which she accused of striking an accord with the PRI. This because Zepeda refused to withdraw his candidacy and pledge his support to Gómez, and ended up winning practically 18% of the vote in Edomex. Given that in the final INE count fewer than three percentage points separated the PRI's Alfredo del Mazo Maza from Gómez this split on the Left was decisive in enabling the PRI to cling onto power in Edomex.

Gómez ruled out any electoral alliance with the PRD and the rest of what she described as "the regime's parties" ahead of the presidential elections in 2018. This is consistent with the threat that López Obrador issued in advance of the Edomex contest should Zepeda not pull out of the contest. For his part, López Obrador launched a savage attack on the PRD: "We called for them to strike an alliance [in Edomex] and they didn't want it, displaying their immorality...they cannot now allege that we didn't approach them...when the truth is that they have accords with the regime." He described the PRD as "a party with corrupt leaders and [state] governments; that buys votes; that hands out bribes; that traffics in poverty; and is only motivated by the personal interest of its leaders and not in sincerely struggling for transformation [which means] it cannot be considered a left-wing party".

In the immediate wake of the elections, several figures within the PRD had once again advocated an alliance with Morena, but López Obrador's comments appear to have scotched this. The (PRD) governor of the western state of Michoacán, Silvano Aureoles, urged any further members of the party identifying with López Obrador's party to leave now or forever hold their peace.

Four PRD factions – Nueva Izquierda (NI), Alternativa Democrática Nacional (ADN), Foro Nuevo Sol (FNS) and Galileos – warned that the split on the Left would benefit the PRI. The leader of FNS, Vladimir Aguilar, said that "the worst enemy of Andrés Manuel is himself...he accuses the PRD of being at the service of the regime but he is the person giving a boost to the PRI in 2018". Senator Luis Sánchez, the leader of the ADN faction, accused López Obrador of "an arrogant and authoritarian attitude" when the PRD could have contributed more than 1m votes to his cause in 2018 from Edomex alone.

The Wall

The extension of the wall between the US and Mexico promised by President Donald Trump will begin in March or April 2018 provided the funds are forthcoming, according to the acting head of border patrol, Carla Provost, during an appearance before the House of Representatives on 13 June. Provost said the priorities were in the area of San Diego, California, and the Rio Grande valley, Texas.

Perhaps the most interesting response came from Eric Villanueva Mukul, the leader of the NI faction, more commonly known as Los Chuchos, irrevocably opposed to an alliance with Morena. Villanueva said that the lesson to be learned from the elections on 4 June is that “alone nobody can win [against the PRI]”. He added that the decision had already been taken to forge a Frente Amplio Opositor with the PAN, civil society and third parties to contest the presidential elections in 2018 [WR-17-20] and that it was high time that the whole PRD bought into this. In reference to López Obrador, he said that “there are other factions [of the party] insisting upon the logic of ‘hit me but don’t leave me’ but not the Nueva Izquierda”.

It was noteworthy this week that former president Vicente Fox (2000-2006) of the PAN expressed his support for the proposed PAN-PRD alliance, which he said could be “the winning formula” in 2018. Fox said that his party had “lost direction” and argued that Mexico could no longer be governed by a single party. Fox sardonically thanked López Obrador for “not walking away with the PRD” after he emphatically ruled out any alliance between the two largest parties on the left of the political spectrum. Fox did not broach the vexed issue of who should supply the presidential candidate in a PAN-PRD alliance but he did express a preference for Miguel Márquez Márquez, the incumbent governor of Guanajuato, should it be the PAN.

Fox also criticised Margarita Zavala, a PAN presidential aspirant, for launching a diatribe against the PAN party president, Ricardo Anaya, after the disappointing result in Edomex [WR-17-22]; the PAN won less than one-third of the PRI’s vote. Anaya confined himself to accusing the PRI of “striking a blow against democracy in Coahuila”, where the PAN’s gubernatorial candidate Guillermo Anaya (no relation) lost by 38.19%-35.74% to the PRI’s Miguel Angel Riquelme, according to the final results announced by the state electoral institute (IEC). Anaya said the PAN had presented a legal challenge demanding the annulment of the elections on the grounds that they were “riddled with irregularities from start to finish”, and insisted that the party would continue the struggle to ensure that the will of the people was respected.

Meanwhile, López Obrador confirmed that Morena would forge an alliance with the small left-wing Partido del Trabajo (PT), which pulled its candidate Óscar González from the Edomex elections at the eleventh-hour despite being upset at López Obrador’s ultimatum. López Obrador held a closed-door meeting with key members of his inner circle on 12 June to discuss his economic and social development plans ahead of the presidential electoral campaign. Senator Mario Delgado, who attended the meeting, said López Obrador would establish a committee of specialists to draw up these plans by 20 November. Delgado said they would be based on the proposals contained within López Obrador’s book ‘2018: La salida, decadencia y renacimiento de México’, launched in January this year, designed to transform domestic politics by forging new cultural, moral, and spiritual values to create an alternative national project. The plan will form the campaign platform upon which López Obrador will contest the elections.

Delgado maintained that, contrary to popular belief, López Obrador was committed to “a conservative macroeconomic policy”, with no public debt, balancing state finances, not resorting to fiscal deficit like the current government, and respecting the autonomy of the central bank (Banxico). Delgado said that López Obrador placed an emphasis on the need for ‘austerity’ [‘Republican austerity’ to use his preferred nomenclature], not a word readily associated with him in the past. Increased public spending and social welfare programmes would be financed by cutting wasteful government expenditure and by launching a full-frontal assault on corruption, Delgado said.

New corruption case implicates PAN

Peña Nieto shares vision with Merkel

On 10 June Mexico's President Enrique Peña Nieto said that Mexico and Germany share a "common vision" on democracy, free trade, protection of the environment, and promotion of human rights. Peña Nieto's remarks came during the joint conference that he held with German Chancellor Angela Merkel to mark the end of her official two-day visit to Mexico. Peña Nieto added that this common vision should lead to an increase in bilateral investment and trade in the future as Mexico continues to try to update its existing free trade agreement with the European Union. Merkel agreed with Peña Nieto and said that, like Mexico, Germany was a global advocate of free trade and integration, noting that "Putting up walls...will not solve problems."

The emergence of a video recording in which a deputy of the right-wing Partido Acción Nacional (PAN) apparently offers to clear the fiscal deficits racked up by a mayor in Mexico's San Luis Potosí state in exchange for the diversion of a proportion of public funds towards some of his colleagues, has produced outrage. This is reminiscent of the 'moches' case that emerged in 2014 [[WR-14-33](#)], suggesting that despite the widespread indignation that the scandal produced back then, political parties have failed to stamp out the practice.

The video of San Luis Potosí state deputy Enrique Flores Flores began making the rounds on Mexican social media on 13 June. The footage shows Flores telling a local mayor that he can secure additional government funding that will help him balance his financial books if he agrees to return him 10%-20% of the amount he requires to cover the fiscal deficit. Flores, who happens to be the leader of the PAN bench in the San Luis Potosí chamber of deputies and the president of the chamber's political coordination committee, says that this cut ('moche') is to be distributed among deputies from other parties as well as to members of the state audit office (ASE), so that they would turn a blind eye to the irregular operation.

In fact, Flores said that the moche was not for him but for the ASE officials and his colleagues – who he identified as Oscar Bautista Villegas of the locally and federally ruling Partido Revolucionario Institucional (PRI) party, José Guadalupe Torres Sánchez of the left-wing opposition Partido de la Revolución Democrática (PRD), and Manuel Barrera Guillén of the PRI-allied Partido Verde Ecologista de México (PVEM). Following the emergence of the video, Flores admitted that it was of a meeting he held on 24 May with the mayor of Ebano, Crispín Ordaz Trujillo, but denied that he had solicited a moche, arguing that the recording had been edited and taken out of context. Flores accused Ordaz of leaking the video in an attempt to tarnish his image (Ordaz himself has formally accused Flores of extortion, illicit association and abuse of power).

However, amid growing public repudiation, the PAN's national executive committee (CEN) announced that it had opened a disciplinary process against Flores for misconduct and that his case would be reviewed by the party's anti-corruption commission. Noting that if found guilty Flores would be expelled from the party, a PAN statement said that the swift actions taken in relation to his case reinforced its commitment to transparency and combating corruption. It added that the CEN has been clear that it would not tolerate any acts of corruption within the party ranks and that Flores would be dealt with accordingly. But the PAN also called on the San Luis Potosí state authorities to open a full investigation to identify and prosecute all those implicated in the apparent corruption network referred to by Flores.

The public pressure forced Flores to announce that he was stepping down as PAN bench coordinator and to the presidency of the political coordination committee to stop his case from further damaging the PAN. But Flores said that he would fight all the allegations of wrongdoing, insisting that no acts of corruption had been committed. "I have nothing to hide, I have clean hands, I'm proud of the dignified work that I have done as a deputy," Flores said. Deputies Bautista, Torres, and Guillén have also all denied the allegations that they formed part of any kind of corruption ring dedicated to extracting moches from local mayors. Neither the PRI, the PRD nor the PVEM has yet commented on the allegations but it is likely that the case will once again embarrass Mexico's entire political class.

Shoring up ties with Mexico

Mexico's President Enrique Peña Nieto last week paid his first state visit to Guatemala since President Jimmy Morales and his right-wing Frente de Convergencia Nacional (FCN-Nación) government took office in January 2016. The meeting produced various agreements by the two leaders who remain united in the face of the challenge posed by US President Donald Trump, whose 'America-first' agenda includes hard-line actions for stopping illegal migration (such as the construction of a wall on the US border with Mexico and stepping up deportations) and economic protectionism.

Indicative of the push to strengthen bilateral ties in recent years, a press release by Mexico's embassy in Guatemala notes that of the more than 40 bilateral accords inked by the two countries, 21 were signed between 2013 and 2016. Following his 6 June meeting with President Peña Nieto, President Morales highlighted as a key outcome plans to modernise infrastructure along the 960km joint border in order to allow for better transit of goods and people. In one sign of this, the two leaders pledged to turn the border point of Ingenieros in Guatemala's Quiché department and Mexico's Nueva Orizaba, Chiapas state, into a more formal trading post, aimed at boosting bilateral trade.

As well as agreements to allow for information exchange between both countries' social security institutes, and the creation of a single registry on secured transactions, the two leaders also pledged to promote trade and investment. A bilateral free trade agreement (FTA) is currently in place, which took effect on 1 September 2013. According to the Central American economic integration secretariat (Sieca), Guatemala's exports to Mexico reached US\$286.7m in 2016 (out of its US\$7.13bn worth of total exports). This makes Mexico Guatemala's sixth-biggest export market. Meanwhile, Mexico is Guatemala's second-biggest source of imports after the US, with its imports totalling US\$1.79bn (out of Guatemala's total US\$14.99bn worth of imports). Preliminary figures from Guatemala's central bank (Banguat) showed that Mexico was the third-biggest source of FDI in Guatemala in 2016, accounting for US\$79m out of the total US\$1.1bn – after the US (US\$403.9m) and Colombia (US\$107.8m).

With some 100 Mexican companies currently operating in Guatemala (mainly in the sectors of industry and services), President Peña Nieto's visit also coincided with the announcement by Mexican dairy producer Grupo Lala of plans to construct a new US\$30m dairy production plant in Guatemala's Escuintla department, which will generate some 4,000 direct jobs.

Tuxtla

President Peña Nieto's trip to Guatemala takes place in the framework of closer cooperation between Mexico and Central America in general. At the end of March, along with his peers from Central America and Colombia, Peña Nieto attended the XVI Mecanismo de Diálogo y Concertación de Tuxtla sub-regional dialogue forum, which took place in Costa Rica's capital, San José.

The forum was launched in 1991 in Mexico's Tuxtla Gutiérrez city (the capital of Chiapas) to deepen political dialogue and cooperation on regional integration and sustainable development. It comprises Belize, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama. The meeting in March produced a 37-point declaration covering, inter alia, migration, climate change, nuclear disarmament, and sustainable development.

Duarte request

President Peña Nieto's visit coincided with his government's formal request for Guatemala to extradite the former governor of Mexico's Veracruz state, Javier Duarte (2010-2016), who is wanted on corruption and drug trafficking charges in Mexico and the US. Duarte was arrested in Guatemala in mid-April.

POSTSCRIPT

Quotes of the week

“At this point in time the establishment of diplomatic relations with other nations in the world is not on the radar and therefore I have nothing to announce.”

El Salvador's Foreign Minister Hugo Martínez on diplomatic ties with China.

“The end does not justify the means; we are going to win in 2018 tied to our principles without indulging in promiscuity.”

The leader of Mexico's radical left-wing Morena, Andrés Manuel López Obrador, rules out an alliance with his former party, the left-wing PRD, for the 2018 presidential elections.

“When the facts change, I change my mind. What do you do sir?”

Possible PSDB presidential contender José Serra's less than resounding support of Brazil's President Michel Temer.

Bolivia takes Chile dispute to OAS

Diplomatic tensions between Bolivia and Chile are mounting. On 14 June Bolivia's Foreign Minister Fernando Huanacuni accused the Chilean government led by President Michelle Bachelet before the permanent council of the Organization of American States (OAS) of torturing nine Bolivians – two military personnel and seven customs officials – arrested in Chile in March and since held in preventive detention in the northern city of Iquique. Bachelet said she would pay “no attention to these new lies”, while Huanacuni's Chilean peer Heraldo Muñoz accused Bolivia of another “failed act of propaganda”.

Bolivia's Justice Minister Héctor Arce told the OAS permanent council that the Bolivians were pursuing a convoy of Chilean contraband when they were arrested. On 12 June, while announcing his government's intention to take the matter to the OAS, President Evo Morales denounced these arrests as “unjust and violent”. At the time Muñoz responded by saying that “almost nothing the Bolivian government says surprises us”, and that these were “unfounded accusations lacking credibility”. Muñoz maintained that the nine Bolivians were accused of stealing trucks, contraband, and illegal arms possession, adding that it was a “judicial matter”. Bolivia's Defence Minister Reymi Ferreira, meanwhile, announced the establishment from July of fences in 11 border crossings with Chile in order to “crack down on trucks carrying contraband to Bolivia”. Chilean judicial authorities will hear petitions to free the nine Bolivians on 20 June.

March's incident took place just as Bolivia presented its case before the International Court of Justice (ICJ) with regard to its historic claim of access to the Pacific. On 6 June Morales repeated these claims during an intervention he made at the Ocean Conference in the United Nations headquarters in New York. The Bachelet administration subsequently released a statement accusing Morales of “contradictions” and “fragile and distorted arguments”. It said he had raised “issues completely unrelated to national, regional and global efforts directed at better conservation and sustainable use of oceans, seas and marine resources”, adding that Bolivia was “yet to understand that the United Nations is a multilateral forum...a place where nations gather to find solutions to issues of genuine global interest”.

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