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Venezuela's downward spiral into violent chaos

Defence Minister and head of the Venezuelan armed forces, General Vladimir Padrino López, was considerably more trenchant than President Nicolás Maduro in denouncing the eight-hour siege of the national assembly by violent pro-government militants on Independence Day (5 July). It was, he said, "unacceptable". "We condemn violence in all its forms, no matter where it comes from," he tweeted. "Today, day of the fatherland, we call for peace, elections, and a national accord by way of the national constituent assembly". Therein lies the rub. There is a very strong risk of a rapid escalation in violence in the next three weeks, which will see an informal opposition plebiscite on the Maduro government, followed thereafter by the official elections on 30 July for the constituent assembly.

State-sponsored repression and violence against civilians on this scale has not been seen in Latin America in some time. And there is no doubt on the part of the Venezuelan opposition that these events *are* State-sponsored. External observers, including Amnesty International and Human Rights Watch, tend to agree.

Henrique Capriles Radonski, twice former presidential candidate and now state governor of Miranda (surrounding Caracas) accused Vice President Tareck El-Aissami and the "corrupt military leadership" of organising the "shameful" attack on the national assembly. And Capriles also accused President Maduro of inciting violence. "Don't forget that all the increase in the violence was ordered by @nicolasmaduro. Remember his declaration of war on Venezuelans", he tweeted, in apparent allusion to Maduro's recent statement that, if necessary, the Bolivarian Revolution would achieve "with arms" what it could not with votes. National Assembly President Julio Borges was also clear as to the head of state's responsibility. "The violence in Venezuela has a name and surname: Nicolás Maduro," he declared after the events on 5 July.

The country is suffocating. Violence, looting and chaos in every state capital is being well documented. The latest death toll is estimated at 90. Detained protesters have accused the security forces of sinister behaviour, with claims that they have been forced to drink gasoline, of students being rounded up and abused, including sexually, and – as evidenced on all too many video clips – of the direct use of firearms and tear gas on unarmed protesters, with fatal consequences.

It is no exaggeration to say that the three weeks to the end of July could be a fight to the death between the two sides. As Peru's President Pedro Pablo Kuczynski said last month, it is imperative that the international community act to prevent

**Katherine
Harington**

On the grounds that the national assembly is in contempt, the supreme court (TSJ) appointed career prosecutor Katherine Harington to the post of deputy attorney general rather than the appointee of Attorney General Luisa Ortega Díaz. Harington, one of seven Venezuelan government officials sanctioned by the US government in 2015 for human rights abuses, now sits ready to replace Ortega.

“a bloodbath”. Venezuela’s neighbours appear helpless to do anything at all, yet this crisis is now regional – with migrants spilling over into Colombia, Brazil and the Caribbean, and Venezuelans leading US asylum requests, accounting for one in every five registered applicants since October 2016.

It is difficult to see beyond the next three weeks. Maduro (as well as the national electoral council) has dismissed as completely illegitimate the informal ‘non-binding’ plebiscite being organised by the main opposition Mesa de la Unidad Democrática (MUD) for 16 July, but a strong turnout by Venezuelan citizens might give it some very potent legitimacy.

The MUD has now announced that the ballot boxes for the plebiscite will be hosted by local parish churches, making it more difficult for the security forces to try to intervene in the process on the day. The Catholic Church has long since made clear its opposition to the Maduro administration; the sight of the national guard (military police) forcibly removing people from churches would make for some very bad PR. On the day, citizens will be asked if they support Maduro’s constituent assembly; what role the armed forces should play in defending the constitution; whether they want a general election; and whether they would back a national unity government.

On 30 July, the national electoral council (CNE) will hold the official election process for the constituent assembly. The MUD is effectively boycotting that, on the grounds that it is illegal, and so inevitably the new assembly will be stuffed to the brim with government supporters – with several former cabinet ministers and senior government officials all seeking election to the forum. The MUD’s tactic, therefore, is to stop it taking place at all.

With the stakes so high, there will be no let-up in anti-government marches and demonstrations. The latest tactic is the ‘trancazo’ – comprising peaceful ‘sit-ins’ on main roads and arteries all over the country. These are less vulnerable to violence, the MUD hopes, and in recent days have been successful (albeit the security forces have not let up in their repression). But widespread violent clashes continue, underlying the fact that the MUD is not in control of the protest movement anymore; it has taken on a life of its own. And on the other side too, it is not clear that the government remains fully in control of its militant supporters either.

The next potential flashpoint will come early next week, when Attorney General Luisa Ortega Díaz will learn of her fate from the supreme court (TSJ), which is due to rule on whether she committed ‘grave errors’ in her post and should be removed. It appears a foregone conclusion. The TSJ signalled its intent in imposing a government loyalist as deputy AG, overriding Ortega’s recent appointee, who – as per the law – was confirmed by the national assembly at her request (*see sidebar*).

Ortega took a bold gamble in challenging the Maduro government and, on her own account, she has managed to create a paper trail of evidence against the government, the judiciary, and the security forces that could be useful at a later stage. However, Ortega notably failed to peel off other moderate Chavistas with her.

Under its bullish executive secretary Diosdado Cabello, the ruling Partido Socialista Unido de Venezuela (PSUV) has remained strongly tethered to the Maduro government – with any dissidence apparently dealt with behind closed doors. From that point of view, Ortega’s one-woman campaign risks petering out once the TSJ – as is expected – silences her. At this stage, it would come as no great surprise if Ortega ended up in jail.

Corruption case embarrasses government**Corruption**

In June another Colombian prosecutor, Hilda Farfán, was charged with selling confidential information to an imprisoned right-wing paramilitary leader, Orlando Villa Zapata, second-in-command of the Bloque Vencedores de Arauca. Farfán was also reported to be manipulating and delaying various drug-trafficking cases against him. An investigation is taking place into how Farfán acquired a house in Miami, Florida, worth US\$490,000 and how she came to have Col\$175m (US\$60,000) in cash in her apartment.

It has happened before in other countries, but it is still deeply embarrassing: a senior Colombian anti-corruption official has been arrested – on charges of corruption. Colombia's attorney general's office (FGN) announced on 27 June that Luis Gustavo Moreno, the director of its anti-corruption unit, has been arrested and imprisoned in La Picota jail in Bogotá, together with his lawyer, Leonardo Luis Pinilla. The arrests were ordered as a result of a joint operation carried out by the FGN's investigations team (Cuerpo Técnico de Investigación [CTI]) and the US Drug Enforcement Administration (DEA).

It is alleged that Moreno and Pinilla offered to manipulate and delay a wide range of corruption charges filed against Alejandro Lyons, the former governor of the northern department of Córdoba. Lyons, who faces at least 20 pending cases, is now based in the US, and Moreno and Pinilla used an official FGN visit to a conference in that country to meet him and offer their services. They reportedly told him that they were able to divert or delay various corruption cases that he was facing, for example by piling up other unrelated case loads on available staff.

Moreno and Pinilla requested and received an initial US\$10,000 payment from Lyons, and demanded an additional US\$161,000 payment for further work. What they did not know was that Lyons was operating as a "cooperating source of information" for the US Justice Department, and that their conversations were recorded. Since the meetings took place on US territory, a Florida court will seek to extradite both men, who are wanted for "conspiracy to launder money with the intent to promote bribery and corruption in Colombia".

The pros and the cons

Politically, the case allows two diametrically opposed interpretations. The first is a positive one: it shows the continuing close collaboration over security and law enforcement issues between Colombia and the US. The Colombian authorities have expressed shock and condemnation at the revelations and appear committed to extraditing both men to face charges in the US.

Colombia's FGN issued a strongly worded statement condemning "behaviour which harms our institutional integrity". From this point of view, the case can be seen as highlighting the high and enduring level of security cooperation between Bogotá and Washington.

The contrary view is that, since the advent of the US administration led by President Donald Trump, bilateral security cooperation has been in something of a state of flux, and the US side, which has yet to define clear objectives, will be alarmed by what it sees as the weakness of Colombian prosecutors and public officials.

This is not the only case that raises doubts over the integrity of the FGN. At least 50 employees of the FGN and members of departmental attorney-general's offices are under arrest. Earlier this year a network of 40 officials was discovered in the southern department of Nariño, which was reputed to be working in collusion with organised crime groups, selling them confidential information and re-selling confiscated drugs.

Kuczynski weighs up his options

Alberto Fujimori

Avelino Guillén, the former supreme court prosecutor, argues strongly that Alberto Fujimori does not legally qualify for any kind of pardon, not even a humanitarian one, noting that he does not suffer from any serious illness and that his prison conditions do not put his life at risk (indeed, Fujimori has his very own, specially-built facility). Guillén also noted that *Fujimorismo* had not even formally requested a pardon, and that President Kuczynski appeared to be flouting all legal procedure in considering granting him one unilaterally. “It would be a terrible signal,” Guillén concluded.

A pardon for the disgraced former president Alberto Fujimori (1990-2000) would be illegal, according to Avelino Guillén, the former supreme court prosecutor in his trial, which resulted in a sentence to 25 years in prison for serious human rights violations and corruption.

Guillén is among those taking part in a march in Lima on 7 July, called by the national coordinator for human rights, to protest at the suggestion by President Pedro Pablo Kuczynski that “the time has come” to grant the elderly Fujimori a humanitarian pardon that would allow him to serve out the rest of his sentence at home.

A year ago, Kuczynski was elected on a promise not to pardon Fujimori, but with the minority government in the vice-like grip of the Fujimori-founded right-wing political party Fuerza Popular (FP), now run by his daughter Keiko, Kuczynski appears ready to trade ethics for governability.

To that end, Kuczynski quickly accepted an unexpected 3 July invitation by Keiko Fujimori to take part in a face-to-face meeting, with a view to pushing the re-set button on the flailing relations between the Kuczynski administration and the FP-controlled congress (to which Kuczynski has now lost four cabinet ministers).

While Keiko has regularly declared that her elderly father’s situation is not a political issue, and should not be mixed up with the often-greasy business of executive-legislative relations, it very clearly is. Naturally she made no mention of that in her letter to Kuczynski, expressing instead “deep concern” about the current situation in Peru, noting the deceleration of the domestic economy and the “tension” in executive-legislative relations. In the national interest, she proposed mutual talks on topics such as the post-flooding reconstruction efforts and the fight against corruption.

Kuczynski wasted no time in responding, suggesting that the meeting be held in the presidential palace itself on 11 July, showing Keiko maximum respect (and ensuring maximum publicity for her appearance). In his return letter, Kuczynski said he was “always” ready for talks in the national interest. Notably though, he said that after his meeting with the FP leader, he would look to hold a formal dialogue under the auspices of the Acuerdo Nacional, a mechanism under which all the political parties in the country come together to discuss and agree upon national-development objectives.

In this way, Kuczynski tacitly let it be known that, despite his weak position, he still commands the authority to steer the national agenda. As such, other parties including the left-wing opposition Frente Amplio (FA) coalition, the second force in the national congress, will also be included. This could test what Keiko said was the FP’s “profound democratic vocation”. Nevertheless, it appears fairly clear that the *Fujimoristas* will continue to call the shots.

The test of *Fujimorismo*’s new national ethic will come almost immediately. Kuczynski’s prime minister and now-also economy & finance minister, Fernando Zavala, has signalled a fresh economic stimulus package in a bid to kick-start the stagnant economy. This will require congressional approval. Also still pending is congressional approval for much of the government’s reconstruction package, while the 2018 draft budget must also be approved before the end of the year.

Scandal claims YPFB chief

YPFB's slumping profits

Indicative of ongoing concerns about the impact of the fall in commodity prices, in May then economy minister Luis Arce issued a report on profits from state-owned oil firms, which showed that these reached B\$941m (US\$136m) in 2016, down from B\$1.77bn in 2015. The main reason for the decline was the fall in profits from YPFB – from B\$1.3bn in 2015 to B\$243m in 2016. Arce attributed this to the fall in international oil prices, which continued to slump – from B\$49 per barrel (/b) in 2015 to B\$43/b last year.

The Movimiento al Socialismo (MAS) government led by President Evo Morales is once again on the defensive over public corruption. The head of Bolivia's state oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), Guillermo Achá, has been sacked over allegations relating to the Drillmec scandal which broke in March. The case involves irregularities worth some US\$148m in relation to a contract inked by YPFB and Italy's Drillmec for the purchase of three drilling machines. Against this backdrop, the temporary departure of Economy Minister Luis Arce, for 'health reasons', could not have come at a worse time for Morales.

The Drillmec scandal first made headlines when, on 14 March, the head of the transparency unit for the hydrocarbons ministry, Edmundo Novillo, revealed that he had uncovered legal, administrative, and technical irregularities in the purchase of equipment from Drillmec following a deal signed in April 2016. So far seven former officials have been jailed pending trial on charges relating to the case, with three individuals still at large.

Achá, who was dismissed on 15 June, stands accused of crimes which include negligence of duties, anti-economic conduct; influence-trafficking; and contracts damaging to the state. He had been in the post since February 2015, having held it on an interim basis since the end of 2014 when he replaced Carlos Villegas who died of cancer. Villegas had brought stability to the country's largest state-owned company when he took over in 2009.

President Morales has been swift to act following Achá's departure, naming Óscar Javier Barriga Arteaga, deputy minister of industrialisation, trade, transport and storage of hydrocarbons, as his replacement on 15 June. He also called for a detailed review of YPFB's purchasing procedures. Meanwhile, Barriga has pledged full investigations into at least 20 contracts signed under his predecessor and also announced on 25 June that YPFB would set up transparency units in all its subsidiary companies – YPFB Andina, YPFB Chaco, YPFB Petroandina, YPFB Refinación, YPFB Transporte, YPFB Transierra, YPFB Logística, and Gas Trans Boliviano.

This has already had an impact. On 27 June, the government announced it was cancelling a US\$12.3m contract for the construction of a petrochemical plant in Tarija department, which had been awarded to Italian company Tecnimont. Energy Minister Luis Alberto Sánchez said that this was due to "administrative errors".

Arce steps down

Less than two weeks after Achá was fired, Economy Minister Arce stepped down on 26 June after requesting temporary leave to undergo "specialised medical treatment" in Brazil. Bolivia's state news agency, Abi, reported that two years earlier Arce had had an operation at a gastroenterology institute in Bolivia but doctors recommended that he go abroad for additional tests. Arce has since been replaced by deputy minister for pensions & financial services, Mario Guillén Suárez, who had worked alongside Arce for nearly a decade.

Arce was a close and trusted ally of President Morales, and the sole cabinet minister left from the first 2006 MAS administration. He is widely credited with the government's sound management of the economy. His departure (albeit temporary) comes amid other clouds on the economic horizon (*see box below*).

The MAS administration has sought to downplay the changes at the top. Guillén took office pledging policy continuity. This has long centred on poverty reduction programmes funded by revenue from the nationalised

Investment

According to Standard & Poor's report released last month, investment in Bolivia's hydrocarbon sector amounted to US\$725m in 2016, down from US\$1.15bn in 2015. S&P notes that the government is projecting about US\$5.2bn in investment in exploration and exploitation in the sector between 2017 and 2020.

hydrocarbons sector, which was returned to state control in 2006 soon after Morales took office.

With his appointment well received by private sector representatives such as Ronald Nostas, president of the business lobby, Confederación de Empresarios Privados de Bolivia (CEPB), Guillén also pledged to work toward the government's economic growth target for this year, which is 4.7%, up from the 4.3% registered in 2016 on official figures. The government's figure is above the latest 4% forecast from the Economic Commission for Latin America and the Caribbean (Eclac), published in April, although this is still the highest economic growth rate in South America, well above the 0.6% regional average.

Downgraded

The changes at the top of the economy ministry come less than a month after the international credit agency Standard & Poor's (S&P) revised its rating of Bolivia's economic outlook to 'negative' from 'stable'.

In a press release issued on 25 May, S&P said that its revision reflected "the at least one-in-three likelihood that Bolivia's persistent current account deficits could contribute to macroeconomic imbalances". It goes on to note that "Low export prices for natural gas, along with only modest success in boosting prospects for gas production, are weighing on Bolivia's external position".

S&P also warns that "potentially prolonged current account deficits, as well as continued high public-sector spending and sustained rapid growth in domestic credit in recent years, could erode the country's still-strong external position". It notes that "for the third consecutive year, the combination of low export prices for natural gas and the government's policy of sustaining public-sector investment is likely to contribute to a current account deficit (CAD) approaching 5.3% of GDP in 2017, similar to the 5.5% deficit in 2016".

ECUADOR | POLITICS

Moreno placates indigenous

President Lenín Moreno received 60 representatives of the umbrella indigenous organisation Confederación de Nacionalidades Indígenas (Conaie) in the presidential palace on 4 July. Moreno is making a concerted effort to heal a serious rift with Conaie which persisted throughout the decade-long administration of his predecessor Rafael Correa (2007-2017). The president of Conaie, Jorge Herrera, thanked Moreno for the invite and said the group would participate in his recently announced 'national dialogue initiative' [\[WR-17-24\]](#).

The Conaie representatives called for reforms to the land law, which they argued tramples on their ancestral rights, and water law, which they contend makes it easier for large industries, such as agribusiness or mining companies, to have priority access to water sources to the detriment of small farmers. They also urged Moreno to comply with their petition for the 20 pardons and 177 amnesties for activists charged with violent protests over the course of recent years.

Moreno, who has so far granted five of the pardons sought by Conaie, made a significant gesture by offering to grant Conaie their headquarters in northern Quito on a free-use contract for a century, as well as another building in the south-west of the capital. Correa had threatened in 2015 to evict Conaie from its headquarters of more than two decades to make way for a drug rehabilitation centre for adolescents because the indigenous group's leadership had been making "political use" of the building, which was loaned to Conaie in 1991 by the ministry of social well-being.

Acrimonious primaries

The primary electoral campaign within the right-wing coalition Chile Vamos was punctuated by bruising encounters. The final televised debate on 26 June was a case in point: a dearth of campaign proposals; a surfeit of personal attacks. Manuel José Ossandón, who maintained that Sebastián Piñera had denigrated his character in an earlier radio debate [[WR-17-24](#)], accused the former president of deceiving the public about his business interests and went as far as to declare that he would not support Piñera's candidacy if he went on to win the primary. Ossandón also made a series of sexist jokes about Deputy Felipe Kast's wife throughout the debate.

BRAZIL & SOUTHERN CONE

CHILE | POLITICS

Piñera ahead, while new Left threatens old Left

In national primaries held on 2 July, right-leaning businessman and former president Sebastián Piñera (2010-2014) further strengthened his chances of winning a second term in this November's presidential elections. The other main headline from the day was that the ruling Nueva Mayoría coalition formed by traditional left-wing parties appears to have played its cards badly, and may risk being eclipsed by the newer left-wing coalition, the Frente Amplio (FA).

Despite a rather ill-humoured campaign (*see sidebar*), Piñera, of Renovación Nacional (RN), emerged as the undisputed winner of the primaries within Chile Vamos, the country's right-wing political coalition. He took first place with 58.3% of the vote, against 26.4% for independent senator Manuel José Ossandón, and 15.4% for Felipe Kast, a member of the chamber of deputies and leader of Evópoli, a small political party. Importantly, the number of people actually voting in the Chile Vamos primaries contest was well above expectations (over 1.2m) and almost four times the number of those who voted in the only other primary contest, held within the 'new Left' FA coalition.

Chile's 'old Left' ruling coalition, Nueva Mayoría, seems to have made a serious misjudgement by not taking part in the primaries. The decision reflected the growth of internal tensions within the coalition, and the way its image has been worn down by policy disagreements, contested reforms, and a sluggish economic growth rate ever since President Michelle Bachelet took office for a second term starting in early 2014.

The key moment for the ruling coalition came in May this year when Democracia Cristiana (DC), the party within Nueva Mayoría that is closest to the political centre, decided to go it alone, registering Carolina Goic as its own presidential candidate for the 22 November elections. Outflanked in this way, the remaining members of Nueva Mayoría (including the Partido Socialista [PS], Partido por la Democracia [PPD], Partido Radical [PR] and Partido Comunista de Chile [PCCh]) opted to pass over other hopefuls and directly nominate the well-known television journalist Alejandro Guillier as their candidate, avoiding what some felt would have been an otherwise internally divisive set of primaries.

The result, however, seems to have allowed a surge of interest in the rival FA coalition. The FA represents a younger generation of political activists, many of whom emerged from the student protest movement that campaigned from 2011 onwards to protect and expand free public education. While Nueva Mayoría has sought to introduce free university education, it has had to move slowly because of budget constraints, and has been much criticised for its approach by this younger and frequently more radical generation. Some have likened the FA to the Podemos coalition in Spain.

Radio journalist Beatriz Sánchez emerged from the FA primaries as its presidential nominee with 67.6% of the votes, defeating a challenge from sociologist Alberto Mayol, who gathered 32.4% support. In a pointed barb directed against Bachelet, Sánchez has said that if she wins the elections in November she will become Chile's first real feminist head of state. She claims the primaries mark the emergence of a third big coalition ready to "dispute power" with the two existing ones, ending their traditional domination of

Piñera next president

Separately to the question of who they personally supported, respondents to the poll were also asked the somewhat different question “Who do you think will be the next President?” A clear majority – 59% – responded by saying Sebastián Piñera, with only 17% naming Alejandro Guillier, and a much smaller 4% naming Beatriz Sánchez.

Chilean politics. While the new coalition is certainly mounting a credible challenge, the number of people who actually voted for it in the primaries was disappointing: organisers had hoped for over 400,000 but in the event only around 325,000 turned out.

A poll conducted by GfK Adimark has given an initial sense of how the presidential race has shifted as a result of the primaries. It is important to point out, however, that the poll was carried out between 2 and 27 June; in other words, it concluded a few days before the primaries were actually held on 2 July. So it may reflect the effect of the campaign, rather than the results of the primaries themselves.

The poll shows support for Piñera jumping by six percentage points from 25% in May to 31% in June. In contrast, Nueva Mayoría’s Guillier saw a drop of six points from 21% to 15%, his worst result since October last year. The FA’s Sánchez, fresh from a burst of primary-related publicity, climbed by two points to 13% support.

Among the other candidates Ossandón had 4% support, and Kast and Mayol had 3% each. All three of these candidates (Ossandón and Kast within Chile Vamos and Mayol within the FA) were all later defeated in the primaries. The DC’s go-it-alone Goic, meanwhile, had 2% support.

The net result is that Piñera has emerged from the primaries as the candidate to beat. The ‘new Left’ led by Sánchez has come to within a few percentage points of the more traditional Left represented by Guillier. As the primary campaign recedes, Guillier will clearly seek to widen that gap again, stepping up the fight, increasing Nueva Mayoría’s visibility and regaining some of the initiative, but it could be an uphill task.

ARGENTINA | POLITICS & EDUCATION

Back to school

The bitter six-month labour dispute pitting the government of Buenos Aires province against trade unions representing public sector teachers is finally over, with both sides claiming some kind of a victory. The strike had an important political dimension, and both the ruling centre-right Cambiemos coalition and the fragmented Partido Justicialista (PJ, Peronists) opposition may be relieved that it has been resolved ahead of the mid-term congressional elections due in October.

Buenos Aires province is the most densely populated in Argentina, home to around 40% of the country’s inhabitants. The teachers’ dispute has tested everyone’s patience. It dragged on for over 6 months with a seemingly never-ending set of demonstrations and protests. In the first half of this year there were no fewer than 16 strike days, disrupting the activities of an estimated 280,000 teachers and 4.5m students.

The dispute was seen as a personal battle between two leaders. María Eugenia Vidal, the governor of Buenos Aires province, is a member of the Cambiemos coalition led by President Mauricio Macri. She had surprised everyone by winning the governorship in the province – a traditional Peronist stronghold – in 2015, and has since emerged as a promising and popular politician; some say she is a future presidential candidate. Against her were ranged an alliance of six teachers’ unions. The most prominent figure among them was Roberto Baradel, of the Sindicato Unificado de Trabajadores de la Educación de Buenos Aires (Suteba).

Peronist split

The Peronists have fragmented into three groups in the province of Buenos Aires, led respectively by former president Fernández (FUC), Florencio Randazzo, representing the traditional PJ, and Deputy Sergio Massa, a dissident Peronist who has formed the 1País alliance with two smaller left-wing parties [\[WR-17-25\]](#).

The distinctively bearded and longhaired Baradel is believed to be politically close to the hard-core Kirchneristas, the Peronist tendency loyal to former president Cristina Fernández (2007-2015). Therefore, the government believed that he was all along deliberately pursuing a militant line in negotiations, and being as disruptive as possible.

Although an agreement has clearly been reached, both sides are presenting different numbers to vindicate their position. The provincial government says the final settlement was for a 21.5% basic salary increase, not that far away from its opening offer of around 18.0%. But Suteba and the other unions say the settlement is actually worth 27.4%, closer to its initial claim of 35%. They say the settlement includes the 21.5% basic salary increase, plus a 2.5% backdated payment to compensate for inflation in 2016, and an additional 3.4% bonus.

There was some give and take on other issues too. The unions failed to achieve one key thing they wanted: national-level wage negotiations (they are to continue only on a province-by-province basis). Nor were they able to stop the province deducting pay for strike days. They did, however, manage to secure a 'trigger clause' under which the provincial government agrees to pay additional amounts if national inflation this year exceeds 21.5%. On the other side, some of the province's harder-line proposals, such as one linking pay to a reduction in teacher absenteeism, have also been shelved.

The main focus now is likely to be on how the end of the strike will impact the upcoming mid-term congressional elections. For the government the end of the strike is clearly good news. The Cambiemos coalition has agreed that the current federal education minister, Esteban Bullrich, will lead its list of candidates for the federal senate in Buenos Aires province. Bullrich has long said Argentina needs an "education revolution". On the campaign trail he can be expected to argue that the government's refusal to grant excessive wage increases has paid off, and helped clear the way for the required longer-term improvements in quality.

Strangely perhaps, the usually combative Kirchneristas may also see an upside in the ending of the dispute. Fernández is also running for the senate in Buenos Aires province, at the head of her newly created Frente Unidad Ciudadana (FUC), a party she set up to avoid having to fight primaries against Florencio Randazzo, her former interior and transport minister.

In this new situation there are signs that Fernández, traditionally a polarising figure who has thrived on conflict, may be trying to reach out beyond her core supporters and present herself in a more moderate light. She too may therefore want to present the end of the teachers' strike as a responsible compromise. Whether this will bring her more votes remains to be seen.

Dismissals at PepsiCo

Despite the end of the teachers' strike, the government may not get a period of relative industrial peace in the run-up to the mid-term elections on 22 October. A total of 600 workers laid off at a plant in the Buenos Aires suburb of Vicente López, owned by US company PepsiCo Snacks, held peaceful demonstrations in Buenos Aires on 4 July. Labour ministry officials granted the workers a meeting to discuss the potential for redeployment.

According to Télam, the government-owned news agency, they had all been dismissed in June after PepsiCo said it was transferring the bulk of its production to another plant 400km away in Mar del Plata. The protest came after earlier, violent skirmishes between police and demonstrators on 28 June. Radical groups were rallying to challenge the government's new, tougher approach to demonstrations in the Buenos Aires city centre: police now have orders to break up and remove road blocks (known as 'piquetes').

Neves makes his comeback

Senator Aécio Neves from the Partido da Social Democracia Brasileira (PSDB) has experienced a remarkable fall from grace. Once touted as a possible presidential candidate for 2018, until last week, Neves was treated as a political pariah. Now, Brazil's supreme court (STF) has given him another chance and allowed him to rejoin congress after he was suspended over corruption allegations.

Neves was relieved of his congressional duties on 18 May when Justice Edson Fachin of the STF banned him from voting in the senate or participating in hearings due to allegations he had received bribes from officials from meat-packing company JBS. However, another STF justice Marco Aurélio Mello overruled this decision on 30 June, saying congress should determine Neves' fate since the allegations had not yet been proven. Luckily for Neves, congress' ethics committee already shelved the case against him on 23 June.

Now, Neves is determined to leave the allegations behind him and make a comeback. Upon his return to congress, Neves gave an impassioned 20-minute speech to protest his innocence and vent his "indignation with the judiciary" for suspending him. In a statement on the PSDB's website, the senator pledged to keep carrying out the work that was entrusted to him by the 7m citizens of Minas Gerais who voted him in.

If Neves expected a warm welcome back to the senate, he was much mistaken. Since coming back, Neves has received a salary cut and lost his official car. Moreover his former position as party leader could be up for grabs, after he was replaced by interim president Tasso Jereissati. Some say Neves should resume party leadership given he only left the position to clear his name. But a growing movement within the PSDB, including a group of younger legislators, has called for Neves to stand down due to concerns about damage to the reputation of the party from the corruption allegations. In an interview with news site *Exame* published on 29 June, Soraia Marcelino Vieira, a professor of Political Science at the Universidade Federal Fluminense (UFF), described this as a possible turning point for the party, where the PSDB has a chance to reinvent itself.

Given that the PSDB is currently allied to the government, the leadership debate could have serious implications for President Michel Temer. In recent months, PSDB members have been riven over whether to continue backing the government following allegations he took bribes from JBS via an intermediary. Some have expressed a desire to break from the government. But Neves is seen as one of Temer's and is expected to vote in favour of his reforms such as a labour bill scheduled to go to the floor on 11 July. Moreover, like Temer, he has attacked the judiciary and seeks to push through a so-called 'abuse of authority law' which would curb the power of federal prosecutors.

Corruption allegations

Neves was temporarily suspended after he was accused by the attorney general Rodrigo Janot of soliciting R\$2m (US\$604,357) in bribes from the former CEO of JBS, Joesley Batista. In March, Neves was secretly taped asking Batista for the money in the same infamous recording which has sparked a lawsuit against Temer for passive corruption. Unlike other suspects from 'Operation Car Wash,' Neves was shielded from jail thanks to the judicial privilege granted to lawmakers; unlike his sister and cousin who were both arrested for facilitating the bribery payments. Neves is the subject of at least seven other separate judicial inquiries.

Leading São Paulo University to introduce social and racial quotas

The Universidade de São Paulo (USP)

announced on 4 July that it would be

introducing social

and racial quotas for the first time,

beginning with its

2018 student intake.

The quotas will be

introduced gradually

over four years: 37%

of places must go to

state school students

in 2018, with that

proportion rising to

50% by 2021. Within

this quota for state

school students, a

certain percentage of

places must go to

ethnic minority

students in line with

the percentage of

ethnic minority

citizens in the state

of São Paulo.

Judiciary takes aim at Temer's inner circle

Brazilian authorities have freed one ally of President Michel Temer and put another behind bars. Rodrigo Rocha Loures, who allegedly solicited bribes on behalf of Temer, was released from jail. Soon afterwards, police detained Temer's former government secretary Geddel Vieira Lima for obstruction of justice. These developments mark the latest chapter in a long-running power spat between Brazil's executive and judicial branches.

With his allies slipping in and out of jail, President Temer is under pressure to defend his scandal-plagued administration. But some ask whether Brazil's judiciary is treating corruption suspects fairly or using them as political pawns to undermine the government.

On 1 July, a visibly greyer, skinnier and more bearded Rodrigo Rocha Loures returned home to a heavily pregnant wife. Following just under a month in jail, which his lawyers described as a form of psychological torture, supreme court (STF) justice Edson Fachin granted Loures the right to serve out the rest of his sentence under house arrest. Loures' release is a blow for federal prosecutors, decreasing the likelihood he will participate in a plea bargaining agreement and potentially add weight to the corruption charges against Temer.

However, the judiciary soon came up with a new line of attack. Two days later, on 3 July, police arrested Temer's former minister Lima, once one of the most powerful men in government, charged with managing relations with congress, before he was forced to step down over an influence-trafficking scandal last November.

Lima is accused of disrupting an investigation into funding irregularities at state-owned bank Caixa Econômica Federal (CEF), between 2011 and 2013, where he previously worked as vice-president. Police began investigating the former minister after they intercepted a series of messages between him and jailed former house speaker Eduardo Cunha. Additionally, the duo allegedly took bribes in exchange for diverting CEF funds to various businesses.

Double standards?

Holding group J&F Investimentos, owned by the Batista family, was one of the beneficiaries of the CEF corruption scheme. The group allegedly paid R\$1.2bn (US\$360m) to Cunha and Geddel to free up resources for their cellulose business, El Dorado. But Brazil's judiciary has allowed members of J&F and affiliate company JBS to evade jail time, sparking controversy that there are double standards between the way corrupt businessmen and politicians are treated.

Aside from being involved in the CEF scandal, executives from J&F Investimentos and affiliated companies allegedly bribed over 1,800 politicians and made at least R\$850m (US\$255.49m) in profit from corrupt deals according to Brazil's federal court of accounts (TCU). To settle these charges, J&F agreed to pay a R\$10.3bn (US\$3.1bn) fine to Brazil's attorney general's office (PGR), which has been upheld by the STF. However, some have bemoaned the lack of transparency about the way authorities negotiated the leniency deal and say the fine is too lenient (*see sidebar*).

Following the J&F furore, prosecutors have agreed to establish a clearer framework for how future corruption settlements will be reached. This could give greater legal certainty to companies and executives, though discussions are still in their early stages.

Leniency agreements under scrutiny

A report by Thomson Reuters published on 5 July found the R\$10.3bn (US\$3.1bn) fine levied on J&F Investimentos is dependent on Brazil's consumer price index (IPCA) to be paid over the next 25 years, which could reduce the net value of the fine to just R\$5.45bn (US\$1.64bn). This is different from the way other settlements are reached. For example, the R\$3.9bn fine to be paid by the Brazilian construction firm Odebrecht over the next 22 years is pegged to interest rates set down by the benchmark Selic rate, meaning it is likely to increase in value.

Another governor under investigation

The current crop of Mexican state governors, many from the federally ruling Partido Revolucionario Institucional (PRI), has shown a high propensity for corruption, forcing the federal attorney general's office (PGR) to investigate, and the federal government to take distance from some of its more notorious allies. There may now be a new name to add to the list: Roberto Sandoval, governor of Nayarit.

Evidence of corrupt practices often increases towards the end of a governor's term in office. This may be the case with Sandoval. The PGR has confirmed it has opened an investigation into his activities, only a few months before the end of his six-year term in office due on 19 September. According to the national newspaper *El Universal*, officials are investigating a charge of "illegal enrichment", following formal complaints filed by members of two opposition parties in the state, the right-wing Partido Acción Nacional (PAN) and the left-wing Partido de la Revolución Democrática (PRD).

Sandoval can be seen on YouTube videos showing off a large and luxurious residence in the town of Aután, in the municipality of San Blas, to the west of the state capital Tepic, complete with an artificial lake, a garden, and a stud of horses whose upkeep, he says in the video, is free since the state pays for their fodder. Guadalupe Acosta Naranjo, a PRD deputy who was defeated by Sandoval in the 2011 gubernatorial race, says his visible wealth has increased suspiciously.

One point of suspicion is that last March Édgar Veytia, the Nayarit state prosecutor and a close collaborator of Sandoval's, was arrested by the Federal Bureau of Investigation (FBI) while crossing the border into the US at San Diego. He awaits trial in New York on charges of membership of an organised crime network that has been smuggling cocaine, marijuana, and methamphetamines into the US.

Nayarit is a relatively small state sandwiched between Sinaloa and Jalisco, both notorious for the presence of powerful drug-trafficking organisations (DTOs). While Nayarit has been relatively peaceful during Sandoval's term in office, it is now suspected that this peace was delivered not by genuine law-enforcement but by collusion between the state government and organised crime. The scandal around Veytia was a big factor in the success of the opposition in last month's gubernatorial elections in Nayarit, when Antonio Echevarría García, at the head of a PAN-PRD coalition, defeated the PRI candidate. Echevarría says his aim on taking office will be to "fight corruption and impunity".

It remains to be seen how seriously Sandoval may have been involved in corrupt practices. He could join a list of three other governors who have been charged. Javier Duarte, the former PRI governor of Veracruz, went on the run last year before the formal end of his gubernatorial term, and is currently being held in Guatemala pending the completion of an extradition request. Roberto Borge, former PRI governor of Quintana Roo who stepped down in September last year, is being held in Panama, also awaiting extradition hearings. César Duarte, former PRI governor of Chihuahua, charged with diverting funds from the state payroll, remains on the run; according to some press reports, he has been sighted in Florida in the US.

Sandoval

Roberto Sandoval is one of five state governors who have refused to file personal information under the '3 de 3' initiative promoted by lobby group Instituto Mexicano para la Competividad (Imco). This invites public figures to publish a statement of their assets, release their tax returns, and make a declaration of interests.

Sugar

The US Department of Commerce said that the changes to the existing rules governing the bilateral sugar trade have been designed to “promote stability in the US sugar market”. Meanwhile Mexico’s economy ministry noted that the agreement means that Mexican sugar exports to the US will avoid having to pay heavy import duties and ensures that Mexican sugar producers continue to enjoy access to the US market as the main sugar exporter to the US.

Rising violence

A series of violent clashes at different points in Mexico have caused more deaths over the course of the last week and raised questions over what looks like the government’s inability to maintain the peace. On 5 July the attorney general’s office in the northern state of Chihuahua said there were at least 26 victims, including 14 fatalities, as a result of a shoot-out between rival criminal groups at Las Varas near the municipality of Madera. The location is within the so-called ‘golden triangle’, a marijuana and opium poppy producing area that straddles the states of Chihuahua, Sinaloa, and Durango.

Earlier, on 30 June, a gun battle between municipal police and suspected criminals in Mazatlán, in the contiguous state of Sinaloa, left a toll of 19 dead. Some local citizens questioned whether the dead – all of them civilians – had all fallen in shoot-outs, or whether some had been the victims of extrajudicial executions carried out by the security forces. Sinaloa’s head of police, Genaro Robles, said there was no excessive use of force or extrajudicial killings. But the Sinaloa state commission for human rights said it was opening an investigation. Mazatlán is thought to be the stronghold of Ismael ‘El Mayo’ Zambada, one of the top leaders of the increasingly fragmented Sinaloa/Pacífico DTO.

A report by lobby group Observatorio Nacional Ciudadano (ONC) on high impact crimes in 2016 (*Incidencia de los delitos de alto impacto en México*) notes that these continue on an upward trend. The report says that last year there were 20,792 investigations relating to intentional homicide, and 22,935 victims, representing 17 investigations and 18.76 victims per 100,000 members of the population. The number of investigations rose by 20.8% and the number of victims by 21.6% relative to the preceding year.

Kidnappings, in contrast, remained relatively stable, with the number of cases and victims falling respectively by 0.3% and by 2.5%. Extortion was also relatively stable.

The ONC is critical of the government’s response to rising violence. It says the strategy of concentrating law enforcement efforts in the country’s 50 most violent municipalities “largely failed to bear fruit”. It calls for better and more transparent statistical data, and for the anti-violence strategy to be based on the available empirical evidence.

TRACKING TRENDS

MEXICO | Sugar agreement with US approved. The Mexican and US governments signed off on a series of amendments to existing rules governing their bilateral sugar trade on 3 July. The signing of the new agreement ends a long-running dispute dating back to 2014 and centred on accusations by US sugar producers that their Mexican counterparts were dumping subsidised refined sugar in the US market. This led US producers to present a formal complaint before the US Department of Commerce, which threatened to impose anti-dumping duties on Mexican sugar imports unless Mexico adjusted its sugar subsidies.

The new agreement, signed by Mexico’s economy ministry (SE) and the US Department of Commerce, introduces changes to the bilateral anti-dumping duty and countervailing duty suspension agreements for the sugar sector.

The changes were agreed upon in principle on 6 June by US Commerce Secretary Wilbur Ross and SE head Ildelfonso Guajardo but were not finalised until they received the backing of US sugar producers, who have expressed their support for the new deal.

An official statement from the US Department of Commerce said that the agreed amendments stipulate that the minimum price of ‘refined’ and ‘other’ sugar imports from Mexico be raised, with the aim of preventing any undercutting of domestic prices in the US. New lower import quotas have also been introduced on Mexican sugar imports.

Furthermore, the new agreement also calls for “enhanced monitoring and enforcement provisions” including the levying of significant penalties to ensure that the new provisions are observed.

Main opposition in electoral spotlight

It has been an eye-catching week for El Salvador's main opposition, the right-wing Alianza Republicana Nacionalista (Arena). Two millionaire businessmen in the space of two days announced their intention to run for president for a rejuvenated Arena in 2019. But this was overshadowed by the decision by two Arena deputies, Johnny Wright Sol and Juan Valiente, to withdraw from internal elections later this month to select candidates for legislative elections in March 2018. Their reason? The national executive committee (Coena) was handpicking candidates, "destroying hopes of renewal" through autocratic "past practices".

The first to declare his presidential ambition for Arena was Javier Simán on 2 July. President of the Asociación Salvadoreña de Industriales (ASI) and textile businessman, Simán resigned his position in order to launch his initiative 'Mi Gente', promising to travel the length and breadth of the country to discover "the problems and needs of our people" and become their "voice". Simán, who has a big media presence, said he would meet "different independent sectors of society who feel defrauded by the way that politicians govern our country...corruption has become a way of life for many politicians and the worst thing is it... seems normal and acceptable for officials to steal; we no longer expect much from them".

Next up was Carlos Calleja, vice president of the largest supermarket chain in El Salvador, Súper Selectos. "It is time to leave behind what divides us and focus on what unites us...we must learn to live with our differences, we need a new vision for the country," Calleja said, while launching his initiative 'Nueva Visión de País' on 3 July. Calleja said he would put the country above political ideology: "The people no longer want solutions from the Left or the Right".

Both Simán and Calleja ignored Coena by advocating primary elections to select a presidential candidate this year; Coena had called for the party to focus on retaining, or adding to, its 35 seats in the 84-seat legislative assembly next March. Coena's handling of the internal elections on 23 July, when Arena will select 168 candidates (84 candidates for deputy and 84 for alternate), took the sheen off the official launch of the campaigns of the two business magnates. If the speeches by Simán and Calleja gave the impression of a new style of politics, Deputies Wright Sol and Valiente suggested that Coena only paid lip service to a makeover and remained intrinsically reactionary.

Arena had published a list on 2 July of 246 pre-candidates for deputies and alternates chosen and ordered by Coena. Coena did not put Valiente's proposed alternate Aída Betancourt Simán, a lawyer and former consultant to the United Nations (UN) and World Bank, on the list. Valiente said she had never even been given a formal interview by Coena. Wright had registered for the internal elections along with Ana Gabriella Trigueros, an adviser, as his alternate. She made the list but as the alternate for another deputy.

Wright and Valiente questioned the point of primary elections "if Coena imposes the candidates: a disguised *dedazo* (candidates handpicked by the party leadership). They accused Coena of violating established procedure, arguing that "renewal cannot be mere words", before announcing their withdrawal from the internal elections. Wright and Valiente have previously questioned the party hierarchy's stance on issues such as civil rights and transparency, condemning discretionary spending by Arena deputies and benefits such as private medical insurance.

Arena and new politics

Arena deputies Johnny Wright Sol and Juan Valiente spoke of a party with serious problems and a leadership incapable of ushering in a new style of practising politics, precisely the promise made by the Arena presidential aspirants Javier Simán and Carlos Calleja. Simán expressed some sympathy for Wright Sol and Valiente, accusing the party leadership of handpicking candidates in violation of the party's internal laws.

Clouds overshadow Canal expansion anniversary

“One of the most significant milestones... a defining moment for the people of Panama and the global maritime industry”. This is how the Panama Canal Authority (ACP) referred to the Panama Canal expansion project which last week marked its one-year anniversary. The event was eclipsed, however, by corruption allegations implicating two members of the ACP board of directors.

According to an ACP press release issued on 26 June to mark the anniversary, over the past 12 months, the expanded Canal’s performance has “exceeded what was originally forecast, as global trade routes have been redrawn and its positive impact has been felt around the world”.

The ACP singles out as “notable milestones”, the transit of more than 1,500 Neo-Panamax vessels through the expanded Canal. It notes that container-ships represent 51.3% of traffic through the expanded Canal, followed by liquefied petroleum gas (LPG) and liquefied natural gas (LNG) carriers: more than 90% of the global LNG fleet can now transit the waterway for the first time in history, opening a new market and allowing LNG producers in the US to ship natural gas to Asia at competitive prices. Other segments such as bulk carriers, tankers, car carriers and passenger vessels have also transited the Neo-Panamax Locks.

In its list of achievements, the ACP flags up a 22.2% increase in tonnage through the Panama Canal, when comparing the 2016 and 2017 fiscal year. It also notes that a total of 15 out of 29 liner services that use the Panama Canal now employ Neo-Panamax vessels to take advantage of the economies of scale offered by the expanded Canal while, on average, 5.9 vessels transit the expanded Canal per day, surpassing original forecasts of two to three daily transits for the first year of operation.

Corruption concerns

The day after the ACP celebrated the anniversary of the Panama Canal expansion project, Angélica Maytín, the head of Panama’s anti-corruption agency (Antai), publicly called for the resignation of two ACP members, Nicolás Corcione and Henri Mizrachi. She made her call after the attorney general’s office (AG) announced on 22 June that its anti-organised crime office had launched a criminal investigation into alleged irregular transactions linked to the December 2010 acquisition of Grupo Epsa, which owns local dailies *Panamá América*, *Crítica*, and *Día a Día*. The group was bought by local firm Tpahc Inc, a company created in December 2010, whose board of directors reportedly include Mizrachi.

According to a press release by the US-based press advocacy group Inter-American Press Association (IAPA), the investigation, which is into “crimes against the economic order” (money laundering) relating to the sale of the Grupo Epsa, supposedly with state funds, stems from a complaint filed by Jaime Abad, a former director of the judicial technical police, which he submitted to the AG in mid-April. Abad’s complaint reportedly called for an investigation into 10 companies understood to have put up money for the purchase of Grupo Epsa and, according to national daily *La Prensa*, one of the companies mentioned in the complaint is Constructora Corcione & Asociados, which is linked to Corcione.

IAPA is reporting that, according to Abad’s complaint, in less than 48 hours these companies deposited in a “common basket” over US\$20m and some of these companies participated in public tender processes, sparking suspicions that part of the funds used for the purchase of Grupo Epsa were state funds.

GDP

Panama’s national statistics institute (Inec) has reported that the country’s GDP increased by 6.27% in the first four months of 2017 compared with the same period in 2016. The latest report by the Economic Commission for Latin America and the Caribbean (Eclac), published in April, forecasts 5.2% GDP growth for Panama in 2017.

POSTSCRIPT

Quotes of the week

“As democrats, we must condemn this violence in the temple of democracy.”

Colombia's President Juan Manuel Santos reacts to the mob attack on Venezuela's national assembly.

“If he calls me in person, I will meet him. If he does it through intermediaries, we could spend months like this. I didn't send an emissary to congratulate him [on his victory, but phoned in person].”

Chile's Manuel José Ossandón, who lost to former president Sebastián Piñera in bitterly contested primary elections for the right-wing opposition Chile Vamos.

“The country cannot be at the service of political or ideological interests. It is tragic that we remain tied to a past of polarisation and constant confrontation... We cannot allow our political colours to make us enemies; our enemies are the lack of work.”

El Salvador's presidential aspirant Carlos Calleja.

Honduras and Guatemala launch customs union

A “special day for Guatemala and Honduras” is how Honduran President Juan Orlando Hernández described on 26 June the launch of a bilateral customs union, the first in Central America, after ratification by the legislatures of both countries.

A press release by the Honduran presidency highlights that between them Honduras and Guatemala represent 52% of Central American territory, account for 58% of Central America's population, and 48% of goods and services trade in the sub-region.

The same press release cites estimates from the Panama-based business council of Latin America (CEAL) which suggest that in the best-case scenario both countries could potentially see their respective GDPs increase by up to 1.2 percentage points as a result of the new customs union while increasing trade flows by up to 2.4%, amid a 25% cut in logistics costs. President Hernández also suggested that this increase in economic activity could create up to 51,000 new jobs in Honduras alone.

A Central American customs union was first floated in the 1960s but was left on the backburner for years, receiving a new lease of life, most recently with the signing of the European Union-Central America Association Agreement (EU-CAAA) in 2012.

Since the launch of the new union, Hernández and his Guatemalan peer Jimmy Morales have openly talked about El Salvador and Nicaragua joining up. Back in April 2016, Morales and El Salvador's President Salvador Sánchez Cerén pledged to advance plans to create a customs union – a proposal first discussed in February 2015 by Sánchez Cerén and Morales's predecessor, Otto Pérez Molina (2012-2015).

Meanwhile, at a recent summit of the Central American integration system (Sica), held on 29 June, representatives from the EU and Sica presented a new project to strengthen economic integration in Central America and maximise the benefits of the EU-CAAA. The initiative is worth €22m (US\$25m), of which the EU has pledged to provide €20m; the Netherlands €1m; and the Central American economic integration secretariat (Sieca) €1m.

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