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Nafta talks setting the political timetable

The first round of the tripartite Canada-Mexico-US talks to renegotiate the North American Free Trade Agreement (Nafta) were held in Washington DC between 16 and 20 August. How they will progress is still something of a guessing game with the US in particular setting potentially overambitious objectives while simultaneously suggesting Nafta might be doomed anyway. What is clear is that the Nafta talks are going to play a major part in the domestic political timetables of both Mexico and the US.

The opening Nafta talks failed to resolve many unanswered questions about the renegotiation process. Robert Lighthizer, the US Special Trade Representative (USTR) started out tough, claiming in his opening speech that in its 23-year history Nafta had "fundamentally failed" and caused the loss of around 700,000 US jobs. Lighthizer said one of his government's priorities was to increase the requirement for both North American and specific US local content in motor vehicles.

Vehicle production and trade is one of the biggest value-added activities within Nafta. At present, to qualify for free trade, vehicles must have 62.5% 'North American content' – there are no requirements for specifically Canadian, Mexican, or US local content, and both Canada and Mexico would like to keep it that way. The US, however, is reported to be demanding its own local, US-made content rule to ensure high-paid auto industry jobs remain in the country – a top political priority for the administration led by President Donald Trump. The US had an auto and auto-parts trade deficit of US\$74bn with Mexico and US\$5.6bn with Canada last year. Another key Trump objective is to reduce his country's overall trade deficit with Mexico.

Officials of all three countries were fairly tight-lipped about what was discussed in Washington. A joint statement said more than two dozen topics had been covered and "detailed conceptual presentations" had been made, but it gave no further information; there was no news conference or briefing and most delegations left without further comment.

While the opening positions remained unclear (the US would not say exactly what local content proportion it had in mind), the three countries have agreed to a very rapid – some would say unrealistically fast – timetable. The next round of talks will be held in Mexico between 1 and 5 September, followed by a third round in Canada in the same month and a fourth round back in Washington in October. The aim is to complete the process before the end of this year, or by early 2018 at the very latest. After that, in the first half of next year, the Mexican general election campaign will make it politically very difficult to proceed. That is then followed in the second half of 2018 by the US mid-term congressional elections. The newly elected Mexican presi-

PRD defections to Morena

Six PRD federal deputies defected to Morena this week. The PRD defections bring Morena's presence in the lower chamber of congress up to 45 deputies, while the PRD now has just 50 seats. There is every chance that further defections will allow Morena to eclipse the PRD as the third-largest force in the lower chamber before congressional elections even take place next June. René Bejarano has threatened to pull his Izquierda Democrática Nacional (IDN) faction out of the PRD if the PAN provides the presidential candidate for the FAD coalition.

dent is due to take office in December 2018.

In short, the Nafta talks must race to a successful conclusion at breakneck speed in the next four-five months, or be kicked back to some point in 2019 when the political climate may be very different to what it is now. John Masswohl of the Canadian Cattlemen's Association – one of the hundreds of business groupings in attendance at the talks – put it crisply: "You can have it quick or you can have it meaningful. You can't have both".

There is indeed some doubt over whether the Trump administration actually wants it at all. Speaking at a political rally in Phoenix, Arizona, on 22 August the US President said "I think we'll end up probably terminating Nafta at some point". His narrative – at least for the benefit of his loyal constituency – was that the original Nafta was fundamentally too favourable to both Mexico and Canada, and "I personally don't think you can make a deal without termination". On the other hand, Mexico and Canada are now somewhat used to Trump's style, and they had been expecting the threat of termination to be forthcoming at some point. Mexico's Foreign Minister Luis Videgaray was quick to say the threat to scrap Nafta entirely was no more than a negotiating tactic aimed at the US president's political base, that should neither scare nor surprise Mexico.

What is coming into sharper focus, however, is that the Nafta negotiation and wider bilateral relations will profoundly influence the political terrain in the run-up to Mexico's elections in mid-2018. The Mexican peso weakened sharply on rising uncertainty at the end of last year when Trump was elected. As this later subsided, the peso subsequently appreciated and stabilised against the US dollar during the course of this year.

The Mexican economy has in fact shown greater resilience than was initially feared (GDP grew by 2.3% year-on-year in the first half of 2017). But it is now probable that over the next 16 months there will be some further roller-coaster rides on the foreign currency markets, this time driven by uncertainty over Nafta. Some analysts suggest that if there is no Nafta deal by the end of this year a new bout of peso weakness can be expected. Aspiring Mexican presidential candidates – including the radical left-wing frontrunner Andrés Manuel López Obrador – will have to work out how to pitch their campaigns to get maximum advantage from the different Nafta scenarios.

It is in the genes

Former President Vicente Fox (2000-2006), a member of the right-wing Partido de Acción Nacional (PAN) who is known for his outspoken comments – particularly his criticism of US President Trump's policy of building a frontier wall – has turned his fire onto domestic politics, where he has targeted Andrés Manuel López Obrador, the leader of the leftist Movimiento Regeneración Nacional (Morena) and declared presidential candidate in next year's elections. Calling López Obrador "Señor Lopitos", Fox said he "has the same genes as [Venezuelan President Nicolás] Maduro and [former president Hugo] Chávez", adding "so watch out Mexico!"

The two men's political enmity is long standing. Fox said López Obrador was a major danger for Mexico and, if elected, would take the country "to the precipice", also likening him to Trump. However, Fox added that he believed Mexican voters knew how to identify "demagogues, false prophets, liars and populists". The former president went on to argue that an alliance between the PAN and the moderate left-wing Partido de la Revolución Democrática (PRD), which López Obrador left to form Morena after losing the 2012 presidential elections, could win next year's polls. Such an alliance is envisioned in the Frente Amplio Democrático (FAD) coalition, but this is causing serious tension in the PRD ranks (see sidebar).

Farc facing the challenge of political campaigning

These are times of enormous change for the former guerrilla group Fuerzas Armadas Revolucionarias de Colombia (Farc). The Farc's 52-year-long armed rebellion officially ended on 15 August with the removal of the last batch of its weapons from various sites around the country as part of the disarmament process supervised by the United Nations (UN). Days later the Farc's maximum leader, 'Timochenko' (Rodrigo Londoño Echeverri), flew into Bogotá from Cuba to attend a congress which is being held in order to establish a new peaceful political party. There is a lot riding on the transition.

Roughly 7,000 Farc fighters have demobilised. Seventeen containers full of weapons have been handed over to the UN in the demobilisation zones. The guerrillas have also handed over lists of arms caches around the country, some in isolated areas of the jungle. Timochenko has returned to Colombia (from Havana where he had been receiving medical treatment) promising to focus on building the new political party which, he says, will dedicate itself to achieving peace in the country and representing the poor and the excluded.

New party

The Farc is due to hold a 'foundational' congress in Bogotá between 27 August and 1 September. One of the issues it needs to resolve is what it will now call itself. Timochenko has asked supporters to vote online for one out of four options. They include a reiteration of the traditional Farc acronym, with the 'A' modified to read 'Alternative Revolutionary Force', instead of 'Armed Revolutionary Force'. The three other options are Partido Nueva Colombia (New Colombia Party), Esperanza del Pueblo (Peoples' Hope) and Nuevo Partido (New Party). Halfway through this week Partido Nueva Colombia seemed to be leading the poll.

The statutes and the objectives of the new party remain to be formulated. The Farc's roots more than half a century ago are as a rural-based peasant self-defence organisation, influenced by the Communist Party. Some therefore believe it will seek to become a 'ruralist' movement campaigning for greater social justice. Others note the Farc's sympathies with Jorge Eliécer Gaitán, the radical leader of the Partido Liberal (PL) whose assassination in 1948 triggered the 'Bogotazo' and subsequently Colombia's bloody civil war. Gaitán appealed not just to landless peasants but also to small landowners and to the rural middle classes.

How and whether the Farc will appeal to urban voters also remains to be seen. Under the terms of the peace settlement the new party will be allowed five unelected seats in the lower chamber of the national congress and a further five in the senate until 2026. A major test, however, will be to demonstrate genuine electoral appeal and to win seats through suffrage.

There are of course major dangers in the transition. The older generation of Farc members will remember the failed peace process in the 1980s, when thousands of members of a new civilian party linked to the Farc, the Unión Patriótica (UP), were persecuted and assassinated by a range of right-wing paramilitary groups. A repeat of that experience might drive demobilised Farc members to take up guns again to protect themselves. To head off this danger, Defence Minister Luis Carlos Villegas has said that the government is sending in troops to protect the 26 Farc demobilisation zones around the country. Military and police units have also been deployed to protect 116 vulnerable municipalities where the Farc used to exercise control.

In fact, over 20 Farc members have already been killed this year despite

Arms caches

While an important number of weapons have been taken out of circulation, there are many more readily available to non-state groups in Colombia. One Farc weapons cache has already been seized in an incident on 6 August. It is thought the perpetrators may have been Farc dissidents or ELN guerrillas.

New broom

President Juan Manuel Santos swore-in María Lorena Gutiérrez as his new minister for business, industry and tourism on 22 August. Her main remit will be to help find ways to revive the faltering economy and to oversee the reinsertion of demobilised Farc guerrillas into Colombian society. Santos appointed Gutiérrez to head the so-called Reincorporation Committee.

the peace agreement. According to Nuevo Arco Iris, a conflict-monitoring group, 11 former guerrillas and 12 members of their families have been assassinated so far in 2017. Of these 23, 10 were allegedly murdered by paramilitary groups and one by the country's now-largest guerrilla group, the Ejército de Liberación Nacional (ELN), which has yet to agree a peace settlement with the government.

Analysis suggests these deaths may reflect not a deliberate attempt to derail the peace process but rather point to the lack of effective state authority in some of the former conflict areas, which are now seeing a kind of power vacuum in which political groups, paramilitaries, and criminal and drug trafficking organisations can all still act with impunity.

A key point for the success of the wider peace plan is that the majority of the demobilised Farc fighters should be helped to re-integrate into peaceful civilian life, which means that they should be able to find employment. Until there are signs that they are being successfully re-assimilated the ultimate fate of the pacification programme will hang in the balance (see sidebar).

Colombia's army is also being called on to fulfil a new role. On 25 August it said it was launching its first "post-conflict battalion". The unit will be formally known as the Integral Action and Development Support Battalion Number 5 (Batallón de Apoyo a la Acción Integral y Desarrollo Nro 5 – Baaid5). The army said its aim would be to support initiatives to help communities in the former conflict areas.

After its official launch in the town of Ibagué, the capital of the department of Tolima, the army said the 300-strong Baaid5 would set aside weapons and take up tools. The unit will support social programmes in Tolima and five other departments in the centre of the country: Huila, Cundinamarca, Caldas, Risaralda, and Quindío. A further eight post-conflict battalions are to operate in other parts of the country. Troops in these battalions will be called upon to support infrastructure and social projects, community development, and to organise recreation and sports days.

Mining strike continues

A mining strike in two municipalities located in the north-eastern department of Antioquia has led to violent clashes and the death of at least three people. The strike started on 21 July in the municipalities of Remedios and Segovia, which have a joint population of around 80,000 people and where small-scale artisanal gold mining remains a major source of employment.

Around 10,000 miners say government policies unfairly favour larger-scale mining companies; they are also demanding fairer contracts governing the sale of their gold to the larger companies.

According to local reports three people died as a result of clashes between the miners and Esmad, a police anti-riot unit. The police say that one of the protesters died while handling an improvised explosive device. Around 20 police officers were reported hurt in the clashes. Police chief Wilson Pardo said members of the Clan del Golfo, the country's largest neo-paramilitary group, had infiltrated the protesters.

The United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) said that because of the clashes up to 5,500 families had restricted access to food. According to the governor of Antioquia, Luis Pérez, what began as a peaceful mining strike gradually became an "armed mining strike". Pérez said he was trying to get local schools reopened – they have been closed because of the violence.

Ortega goes for the jugular

The sacked attorney general, Luisa Ortega Díaz, has fled Venezuela, claiming persecution and fears for her life. From Colombia and Brazil, she has started to identify senior Venezuelan government officials suspected of corruption, including President Nicolás Maduro himself. Her claims have the potential to cause a severe headache for Maduro, not least because it may give the US further reason to expand sanctions.

In one of its first acts after its election on 31 July, the new constituent assembly summarily dismissed Ortega, ostensibly for ‘immoral acts’ and dereliction of duty. She, along with her husband Germán Ferrer, a national deputy for the ruling Partido Socialista Unido de Venezuela (PSUV), and senior prosecutors from her office were subsequently accused of corruption; specifically, of running an extortion ring out of the attorney general’s office. Ortega, accompanied by Ferrer (and apparently two other prosecutors, Gioconda González and Arturo Vilar Esteves), fled Venezuela by boat to the island of Aruba, before heading to Colombia by private plane. Confirming her arrival on 18 August, Colombia’s President Juan Manuel Santos said Ortega had the protection of his government and would be granted asylum if she so requested.

Just days after her arrival in Colombia, Ortega departed for Brazil to attend a meeting of public prosecutors from the Southern Common Market (Mercosur, the regional trade bloc from which Venezuela was politically suspended in late 2016). Ortega said she intended to “show the world the evidence that incriminates Nicolás Maduro and his circle in serious acts of corruption”.

Ortega’s first target was Diosdado Cabello, number two in the PSUV and first vice president of the constituent assembly, who was instrumental in Ortega’s removal from office and the first to levy corruption allegations against her and her husband. Ortega alleged that Cabello was suspected of receiving US\$100m in payments from the Brazilian construction firm Odebrecht, with the money funnelled to a Spanish-registered company owned by two of his cousins. She also implicated the senior PSUV mayor Jorge Rodríguez in the Odebrecht scandal.

Tarek William Saab, the former human rights ombudsman appointed as her replacement, has been investigated for corruption linked to the state-run oil company Pdvs, she said. Most damningly of all, Ortega suggested that Maduro himself had profited from a food supply company based in Mexico, Group Grant Limit, drawing a direct line between the devastating food scarcities in Venezuela and long-alleged food supply racketeering by government elements. Ortega directly suggested that Maduro owned the company, via associates. If that latter accusation proves accurate, it will could prove a political death knell for Maduro.

But Maduro needs no assistance in destroying his reputation, it appears. His move to pick a fight with Venezuela’s best-known export, Gustavo Dudamel, has backfired badly. Maduro cancelled Dudamel’s upcoming US tour of the National Youth Orchestra of Venezuela after the conductor’s increasingly vocal criticisms. In a post in May, Dudamel said enough was enough and called on the Maduro government to listen and rectify. The product of Venezuela’s El Sistema, from which the National Youth Orchestra has sprung, Dudamel has long tacitly endorsed the left-wing ideals espoused by former president Hugo Chavez (1999-2013); his rupture with Maduro therefore was a stinging indictment.

Dudamel, currently director of the LA Philharmonic, was reportedly

Ortega

Attorney General

Luisa Ortega

denounced “the rupture of the constitutional order in Venezuela” and “the installation of a sponsored dictatorship by the fraudulent and unconstitutional constituent assembly”.

Maduro defiant

In a televised press conference, Maduro was defiant, saying Venezuela was prepared for whatever the US had planned. “I have prepared a set of decisions and measures to defend us against commercial, financial or oil blockades that Donald Trump will decree,” he declared. “Venezuela will not be strangled by anyone. We kneel for no one.”

involved in talks to secure the release last week of the Venezuelan ‘protest’ violinist, Wuilly Arteaga. Arteaga has become internationally renowned for playing the violin at the front of protests, standing alone with just his violin opposite the heavily armed security forces; a potent symbol. Dudamel had also spoken out after a young El Sistema musician on his way to rehearsal was killed earlier this year, apparently by security forces. After his vindictive decision to cancel the upcoming tour, Maduro mocked Dudamel on twitter: “Welcome to politics, Gustavo Dudamel. I hope God forgives you”. To which Dudamel responded: “We will continue to play and to fight for a better Venezuela and a better world” #MusicUnites #TocarYLuchar #KeepPlaying#Venezuela.

Bonds crash amid rumoured US government ban

Venezuela’s sovereign and Pdvsa bonds fell to an 18-month low on 23 August, as rumours emerged that the US government led by President Donald Trump was considering a ban on trading of some Venezuelan securities. The move would place a temporary prohibition on US-regulated financial institutions from buying or selling dollar-denominated Venezuelan bonds.

The Wall Street Journal was the first to report that among the additional sanctions being considered by the Trump government was a ban on US-regulated financial institutions from buying and selling securities from Venezuela or Pdvsa. This would be the first move by the US authorities against a Venezuelan institution, after a string of sanctions on Venezuelan officials including President Nicolás Maduro himself.

Venezuelan bonds immediately fell afresh, having already posted the steepest losses of any global notes since mid-July on mounting uncertainty about the country. Notably, however, traders in distressed debt (famously dubbed ‘vulture funds’ by Argentina’s former president Cristina Fernández [2007-2015]) are circling, ready to swoop.

Interviewed by Bloomberg, Ray Zucaro, chief investment officer of a Miami-based firm, RVX Asset Management, commented that “an immediate ban would be worse than a default... Oftentimes after a default, liquidity improves. [But] a ban would lock people with what they had. They would have no way out”. Zucaro revealed that investors were also speculating that the US government alternatively might opt to target specific bonds, such as Venezuela’s 2036 sovereign notes, which are held by a state bank, or the 2022 Pdvsa bonds purchased (at deep discount) by Goldman Sachs’s asset-management unit in May, creating a major backlash against the US bank for investing in what the Harvard-based Venezuelan professor Ricardo Hausmann dubbed ‘hunger bonds’.

Indeed, such was the furore over the Goldman Sachs trade that Credit Suisse in early August banned trading in two Venezuelan bonds - the sovereign issue due in 2036 and the 2022 Pdvsa ‘hunger bond’ - while it also prohibited trading in any bonds issued after June 1 2017 from any Venezuelan entity, citing reputational risk issues and concern about ‘enabling’ human rights violations by the Venezuelan government. In late 2016 Credit Suisse (which formerly provided secondary banking services to the Caracas government) had advised Pdvsa in a debt swap that won the cash-strapped state oil company some much-needed breathing space.

The latest US government thinking suggests targeted efforts to penalise Venezuela without directly hurting the US oil sector, which, with some congressional support, has lobbied the White House not to impose sanctions on the Venezuelan oil sector, a critical supplier of heavy crude to southern US refineries.

Nine US oil companies, including Chevron, Valero, Citgo, and Phillips 66, currently process heavy Venezuelan crude in over 20 US refineries, most located along the Gulf Coast. Many of these refineries are built specifically for heavy crude, and replacing the Venezuelan supply would be tricky. An industry group including the nine companies reportedly sent two letters to President Trump in July to make that very clear, while six Republican congressmen from three of the states that process Venezuelan crude – Texas, Mississippi, and Louisiana – backed that up with a letter of their own

Kuczynski admits his “biggest failure” to date

A sluggish economy was the “biggest failure” in his first year in office, President Pedro Pablo Kuczynski told CNN en Español, the US-based television network in an interview broadcast on 20 August. Kuczynski touched on other issues as well, including the long-running teachers’ strike and the ongoing debate over whether he should pardon the imprisoned former president Alberto Fujimori (1990-2000).

President Kuczynski said that Peruvians voted for him in 2016 to “make the economy fly”, but it had not. In fact, growth forecasts for this year have been progressively cut back from 4.8% down to 2.8%. “Why didn’t the economy fly? Well, we inherited a weak economy,” Kuczynski said, adding “then we were hit by the floods (in early 2017). And then, to cap it all we got hit by the Lava Jato scandal [the discovery of corrupt payments by Brazilian civil engineering company Odebrecht, which led to the paralysis of some major public works programmes]”. Kuczynski insisted, however, that despite these setbacks the recovery would still eventually make itself felt, with the economy set to grow by between 4% and 5% in 2018.

Kuczynski also sought to defend himself from claims that he had buckled in the face of violent demonstrations by teachers and conceded wage increases. Kuczynski insisted he had made an election promise to support a modest increase in teachers’ minimum wages and had simply delivered on that promise. His comments came as prospects for an end to the teachers’ strike that started in mid-July appeared to recede.

There had been a pre-agreement in talks with the education minister, Marilú Martens, that Kuczynski’s promise to increase the minimum teachers’ salary to PEN2,000 (US\$620) a month would be brought forward from the end of this year. However, the unions objected to a clause in the education reform law that says that teachers who fail a professional competency test three times must be dismissed. The unions want teachers who fail three times to remain in employment, but not to qualify for promotion. Kuczynski has insisted that the requirement for professional competence is non-negotiable.

Kuczynski also referred to the long running debate on whether former president Fujimori, currently serving a 25-year sentence for crimes against humanity, should be pardoned. Civil rights activists and much of the Left have argued that releasing the former leader of a repressive regime would send the wrong signal in a country where democracy is still fragile. But Kuczynski repeated earlier statements that he is minded to issue a presidential pardon, on humanitarian grounds, in view of Fujimori’s poor health, and because opinion polls showed that around 60% of Peruvians felt the former president had served enough time in prison (*see sidebar*).

Anti-corruption move

As part of his long-promised anti-corruption drive President Kuczynski has signed into law a modification of Article 41 of the constitution, establishing that crimes of corruption perpetrated by government officials and civil servants are imprescriptible, meaning that they are neither covered by statutes of limitation nor can they be set aside for any other reason. Marking the occasion, Kuczynski tweeted his commitment to “fight against the cancer of state corruption”. Crimes covered by the new imprescriptibility rule include fraud, collusion, influence trafficking, illicit enrichment, and improper appropriation of public funds. The constitutional amendment was approved unanimously in two consecutive readings in the single-chamber congress held on 1 March and 17 July.

Fujimori

Fuerza Popular (FP), the party led by former president Alberto Fujimori’s daughter Keiko, holds a majority in congress, and there is often speculation that releasing Fujimori père could be part of a political deal to tone down congressional opposition to the government. But President Kuczynski insisted that any decision to issue a pardon would not be part of a political negotiation.

Oil industry ignites Moreno-Correa tension

A crisis at the Esmeraldas oil refinery has become the latest source of conflict between President Lenín Moreno and his predecessor Rafael Correa (2007-2017). Moreno revealed a series of major problems facing Ecuador's oil industry during a visit to the Esmeraldas refinery, in the north-western province of the same name, on 15 August, denouncing "huge irresponsibility" in the management of the complex. Correa lashed back on Twitter, reminding Moreno that he served as his Vice-President for the first six years of his decade in power.

President Moreno was accompanied on his visit by Carlos Pérez, the hydrocarbons minister, who described the Esmeraldas plant as being in "a critical situation" despite substantial investment in recent years, as its renovation became a flagship project of the Correa administration. Francisco Moreno, the current superintendent of the facility, concurred. Pérez requested that the comptroller general's office investigate the work at the plant in order to determine responsibility for the present failings.

Pérez insisted that output at the Esmeraldas refinery had not yet been affected, but noted that further failure to address the current problems could start to cost the state as much as US\$1.25m per day. He appealed to be granted the power to revise and repeal the contracts made under the Correa administration, in order to prevent these huge potential losses. "Although only a short amount of time has elapsed [since the modernisation of the refinery, which concluded at the end of 2015], we already have problems in the operation of certain areas," Pérez said (*see sidebar*).

There was further bad news elsewhere in the sector. Moreno reported difficulties finding investors for the long-awaited Pacific refinery, located in Manta in the northern coastal province of Manabí, and noted that if no solution was found, the project would have to be discarded; some US\$1.5bn has already been invested in the Pacific refinery. Moreno did detail plans to remedy this situation, announcing the implementation of a new contractual model for investments that he said would be "more attractive and appropriate in current market conditions".

Ecuador's economy remains highly dependent on profits from oil exports, and has been hit hard by the falling price of the commodity in recent years. At present, the country produces 541,000 barrels of oil per day (bpd): the 110,000 bpd of a fully-functioning Esmeraldas refinery, and the projected 300,000 bpd of a completed Pacific refinery, would bring treatment capacity to 410,000 bpd. However, given the substantial investments already made in both projects, further failures on the scale of those reported at Esmeraldas would have serious consequences.

Patiño sent as peace envoy

The latest spat between President Moreno and Rafael Correa prompted the ruling left-wing Alianza País (AP) to dispatch a peace mission to Belgium to try and reconcile the two men and soothe tensions within the party. Moreno's recently appointed presidential adviser, Ricardo Patiño, who served as a senior cabinet minister throughout the Correa administration, along with the AP executive secretary Gabriela Rivadeneira, visited Belgium on 20 August in an attempt to heal the rift in the AP. Patiño acknowledged before leaving that their task would be "difficult". The presidential press secretary, Paola Pabón, swiftly issued a statement saying Moreno had not called for any "mediation or intervention"; that it was strictly a party matter, which was not being financed by the government; and that Patiño would have to explain how the trip was being financed upon his return.

Esmeraldas refinery

Carlos Pérez, the hydrocarbons minister, said that 10 contracts with foreign and domestic companies involved in the Esmeraldas refinery renovation project would be subject to a review. South Korea's SK Engineering and Construction won a US\$230m contract to revamp the refinery in 2013.

Macri untroubled by labour protest

The Confederación General del Trabajo (CGT), along with a range of other labour unions and opposition-aligned social and political organisations, held a protest rally in the centre of the city of Buenos Aires on 22 August. Despite the overt threat of another general strike, it looks as if the government led by President Mauricio Macri is not unduly concerned: it has been heartened by signs of division among the protesters.

At the height of its powers the CGT could instil fear into the heart of any government. Clearly some of the rhetoric at this week's protest demonstration in central Buenos Aires was designed to relive those glory days. Juan Carlos Schmid, one of the CGT's three collegiate leaders and the only one to speak at the rally, read a long list of demands, including higher pensions and wages, the declaration of a "food emergency", and the imposition of price controls on food and medicines. He claimed that as many as 14m people were living in poverty in Argentina and that one in every three lacked sufficient income to "make it through the month".

Protesters rejected the government's "neo-liberal" economic policies as well as its plans – not yet set out in detail – to implement labour reforms after the mid-term congressional elections due on 22 October. The CGT leadership, Schmid said, would meet on 25 September to decide whether to call another general strike (the previous one was held in April).

The suggestion was that a new stoppage - 24 hours or longer - might be called ahead of October's elections. The union leadership is calculating that the government, worried by the impact of a strike on its electoral fortunes, may be prevailed upon to make some concessions over the next two months, so as to buy itself a period of peaceful industrial relations.

But the government does not seem willing to play along. On the contrary, bolstered by the results of the primary elections held on 13 August (which showed the popularity of the ruling centre-right Cambiemos coalition holding up relatively well), President Macri described the protest as "a waste of time" which "doesn't get us anywhere".

Labour Minister Jorge Triaca, meanwhile, said the action was not only "unnecessary and inopportune" but also had the "whiff of politics". The rally was indeed notable for the number of supporters of former president Cristina Fernández (2007-2015), who is running for a federal senate seat representing the province of Buenos Aires, who turned out for it. Schmid insisted that the CGT was not supporting any party or candidate in October's mid-terms and was motivated purely by the need to secure "dignified work and a just salary" for its members.

Significantly, there are signs that the CGT is struggling to contain its own internal divisions. To the delight of government supporters, some fighting broke out at the end of the rally, when members of the truck-drivers' union clashed with piqueteros (the social protest groups supported by the Kirchneristas loyal to Fernández). Some analysts described images of the fist-fights published in the next day's newspapers as "the perfect photograph" for the government, reminding voters of the volatility of the various political groups in and around the CGT.

It was also clear that many top labour leaders were notably absent, including Antonio Caló, the leader of the metal-workers' union Unión Obrera Metalúrgica (UOM), and Ricardo Pignanelli from the auto-workers' union Sindicato de Mecánicos y Afines del Transporte Automotor (Smata). On the

Economic recovery

The government case for the inopportune nature of the march rests on its claims that the economy is recovering. It cited data published by the national statistics institute (Indec) showing that the industrial sector expanded by 6.6% year-on-year in June and the construction sector by 17%.

Reaching out to youths

While the march to the Plaza de Mayo was taking place, President Macri met young Argentines in the presidential palace Casa Rosada to attend his launch of a youth employment initiative. He also showed the CGT that he is ready to play rough by dismissing two officials who had been appointed because of their ties to the labour union: the deputy labour minister, Ezequiel Sabor, and the superintendent of health services, Luis Alberto Scervino, who had responsibility for social programmes.

other hand, there were plenty of representatives of Fernández's new political vehicle Unidad Ciudadana (UC), including Jorge Taiana, Mariano Recalde, and Axel Kicillof. Some in the CGT do not want to be too closely associated with the UC.

The sense of disarray inside the CGT is helped by the difficulties faced by the Moyanistas, the faction led by former truck-drivers' leader Hugo Moyano (the union is now, formally at least, led by his son Pablo). Some of the truck-drivers' union's strength comes from its 7,000 affiliated members in Correo OCA, a courier and delivery company. The company, however, is heavily in debt, and some believe it may not be able to survive. Moyano is widely rumoured to have an economic interest in OCA; if its financial difficulties intensify the union will suffer.

Traditional CGT leaders, closely linked to the main opposition Partido Justicialista (PJ, Peronists), are also finding themselves challenged by the far left including Trotskyist groupings like Polo Obrero and the Frente de Izquierda y los Trabajadores.

Rodolfo Daer, leader of the food-workers' union Sindicato de Trabajadores de la Industria de la Alimentación (STIA), signed an agreement accepting the closure of a Pepsico plant in Florida, a barrio in the northern suburbs of Greater Buenos Aires, limiting job losses through partial relocation of workers to some other plants. The Left is condemning the terms of the deal as a sell out.

While seeking to retain the initiative, the union leadership is aware that the government has a few cards of its own to play. CGT leaders are concerned by references to labour reform. Macri's ministers have spoken in general terms of the need for reforms to make Argentine labour more competitive in the world economy.

No details of how the reform might pan out have been given, and what may or may not be on the table will depend to a large extent on the balance of forces within the federal congress after the October mid-term elections. But the CGT barons have been left to wonder whether Macri might have their administration of social programmes – a source of valuable income and patronage – in his sights.

Government under pressure over missing protester

Security Minister Patricia Bullrich insisted on 22 August that the government was doing everything in its power to clarify the fate of Santiago Maldonado, a 28-year old activist last seen three weeks earlier after he had taken part in a protest rally organised by supporters of the Mapuche indigenous community in Cushamen, Chubut province, in southern Argentina. Argentina's border police, the Gendarmería, broke up the rally, called to oppose the extradition to Chile of Jones Huala, a Mapuche leader wanted there on charges of arson.

Some witnesses say they saw Maldonado being pushed into a police van, leading to the suspicion that he has been the victim of an enforced disappearance. The United Nations Committee on Enforced Disappearances has called on Argentina to take swift action to find Maldonado.

Bullrich issued an appeal for all parties to avoid politicising the affair, insisting that the authorities were genuinely trying to resolve what had happened. There were reports that a Molotov cocktail had been thrown at the Argentine consulate in La Paz, Bolivia; the walls had been spray-painted with graffiti demanding that Maldonado be released unharmed.

Eletrbras privatisation moves the markets

Shares in Centrais Elétricas Brasileiras (Eletrbras) soared by almost 50% on 22 August after the government unveiled plans to privatise the Brazilian electricity company. Investors have welcomed the move to sell off Eletrbras as a sign that the centre-right Partido do Movimento Democrático Brasileiro (PMDB) government led by President Michel Temer is committed to pro-market reform. This marks a shift from the previous two administrations under the leftist Partido dos Trabalhadores (PT), which was characterised by a high level of government intervention in the running of Eletrbras.

Selling shares in Eletrbras could raise R\$20bn (US\$6.32bn) for the federal government, the minister of energy and mines, Fernando Coelho Filho, told Reuters. This would help Brazil close its gaping fiscal deficit, which accounts for approximately 10% of GDP.

The deadline for the government to sell off its controlling stake in the company (41% of shares) is likely to be before the end of Temer's term in December 2018. But full details of the divestment programme are yet to be announced.

The proposal requires approval from the government's special privatisation council (PPI), various government bodies, and industry regulators before it can go through. Eletrbras' privatisation also needs to be voted through the federal congress.

If approved, this would be one of Brazil's most important privatisations in almost two decades since the government sold off iron ore company Vale and aircraft manufacturer Embraer in the 1980s. As with those deals, the government would keep some minority shares in Eletrbras. It would also retain the right to veto corporate decisions, raising questions about the company's future political independence.

Consequences

In a statement, Coelho Filho said privatising Eletrbras would allow the firm to "act with greater agility and competitiveness," free from the "limitations" of a state-owned company.

However, the prospect of future management changes coupled with uncertainty over how the government would sell off Eletrbras is negative for its credit rating. Eletrbras still needs to reduce outstanding liquid debts of R\$38.4bn (US\$12.1bn) according to results from the second financial quarter, making it Brazil's fourth most indebted Brazilian company after Petrobras, Vale, and Oi. But if Eletrbras is privatised, this could interrupt a cost-cutting initiative which began in November 2016, reported the rating agency Moody's Investors Services.

The possible impact of Eletrbras' privatisation on consumers is not yet clear. Coelho Filho stressed that electricity prices should go down in the medium-term due to greater competition within the energy sector. However, the short-term impact is for prices to rise since electricity tariffs are currently subsidised by the government, according to a panel of economic experts interviewed by news site UOL.

Members of the opposition are concerned that Brazil's energy supply will be affected by the privatisation. Currently Eletrbras accounts for around 40% of the country's energy provision. However, Eletrbras' new management may be unwilling to continue expanding the company in line with demand as liberally as the state if they need to pay off the company's debts first. Moreover, social energy policies implemented by the PT, such as an initiative to supply electricity to remote areas called Luz para Todos, or another to

PMDB seeks to reinvent itself

Ahead of the 2018 elections, the ruling centre-right Partido do Movimento Democrático Brasileiro (PMDB) is thinking of changing its name to 'Movimento Democrático Brasileiro' MDB. This rebranding comes after a series of corruption scandals tainted the party's image. The PMDB got rid of the P because voters thought it stood for propina (bribe), jokes satirical newspaper *Sensacionalista*.

Public sector workers on edge

The federal government has announced plans to let go of 60,000 public sector workers through a voluntary dismissal programme. The measure is designed to cut public spending and could save the government R\$1bn (US\$320m) per year. Some of the first to go could be alcohol, coffee, and sugar auditors, telegraphists, cocoa classifiers, and fish inspectors, all of whom are currently employed by the state. These positions have “become obsolete or out of line with the actual government structure”, said an official from the planning ministry.

incentivise renewable energy sources, could be scrapped.

Chequered history

The bid for privatisation comes after Eletrobras wracked up huge debts under state control. The company was squeezed by economic policies pursued by former president Dilma Rousseff (2011-2016), who used it as a tool to lower inflation by forcing providers to reduce energy prices by up to 20% in 2013.

In a statement, the ministry of energy and mines blamed past “inefficiency” for the company’s current indebtedness; a jibe at Rousseff and the PT. But the current PMDB government was also implicated as the PT’s former coalition partner.

Corruption has also contributed to Eletrobras’ decline. Investment firm 3G radar claims Eletrobras’ decision to partner with other companies to build hydroelectric dams Belo Monte, Jirau and Santo Antônio (in the Amazon) and nuclear plant Angra 3 (Rio de Janeiro) cost the company R\$40bn (US\$12.73bn) in an interview with news site Valor Econômico. This is because the value of those contracts was allegedly inflated due to bribes paid to both PT and PMDB politicians, according to prosecutors from the anti-corruption investigation ‘Operation Car Wash.’

Eletrobras’ chequered political history mirrors the trajectory of other state-owned companies argues Josias de Souza in a column for news site UOL. “Eletrobras is a victim of the same plot which brought Petrobras to the brink. Its ruin is the joint work of the PT and the PMDB...And at the root of the problem are three intertwined causes in the public sector well-known to Brazilians: mismanagement, political cronyism, and corruption - lots of corruption.”

PARAGUAY-BRAZIL | DIPLOMACY

Cartes touches down in Brazil

Paraguay’s President Horacio Cartes travelled to Brazil this week to discuss a range of bilateral issues with his Brazilian peer Michel Temer. Security was at the top of the agenda, with an emphasis on how to control the movement of contraband across the shared border through greater cooperation between Paraguay’s national anti-trafficking force and Brazil’s federal police. The two leaders also discussed economic co-operation, expressing their commitment to further integration, both in a binational capacity and within the Southern Common Market (Mercosur), by pushing for a trade agreement with the European Union (EU).

President Cartes urged President Temer to renegotiate a treaty about how electricity generated by the Itaipú binational hydro-electric plant should be shared between Brazil and Paraguay before the existing agreement expires in 2023. The current treaty, signed in 1973, obliges Paraguay to sell all its unused electricity to Brazil at a fixed price and is the source of ongoing diplomatic tension. Itaipú is partly owned by Eletrobras but is not included in plans to privatise the company, the government later clarified.

The situation in Venezuela was also addressed, with both presidents reiterating their concerns about human rights violations and political repression in the government led by President Nicolás Maduro. They emphasised the need for a peaceful resolution to the crisis. This elicited a curt response from Venezuela’s foreign minister Jorge Arreaza, who claimed the two “political dinosaurs” had “no morality” to talk about Venezuelan democracy.

Cuba still pushing to get fallow lands to work**Diplomats**

US and Canadian diplomats working in Cuba have been diagnosed with conditions such as mild traumatic brain injury and damage to the central nervous system, according to a report this week by CBS News citing medical records from a doctor who evaluated them. Since late 2016 the diplomats had complained of hearing loss, nausea, and balance disorders, prompting speculation that they had been the victims of a form of sonic attack directed at their homes.

Cuba still has 300,000 hectares of idle land that it is prepared to grant in usufruct, state media reported this week. The land in question is covered in Marabú scrub bush and is rather remotely located, away from the island's main urban markets; however, the government is offering incentives for its development, the reports stressed.

Cuba has 10.9m hectares of total lands, of which 6.2m are classed as agricultural lands and 3.3m as forestry. The state owns 80% of the land, and leases 70% of that to farmers and cooperatives. The remaining 20% is owned by private family farmers and their cooperatives. Some 1.9m hectares - 31% of the total agricultural territory - are classed as idle.

The government has previously sought to incentivise the development of idle land in Cuba, customarily at a time of economic crisis on the island (when food imports become more of a financial burden for the state), apparently to little avail.

Marabú is notoriously difficult to clear, for a start, and the soil underneath may not be particularly suited to food farming. Other problems include a lack of roads, water supplies, and basic communications.

Eddy Soca, the director of lands and ground control at the Cuban agriculture ministry (Minag), admitted to the Communist party mouthpiece Granma that the lands "are not attractive" but insisted that since 2013 the government has made assistance available including soft bank credits, and access to technology and machinery, as well as seeds, fertilizers and land improvement schemes. He claimed that the Cuban state had already leased 1.7m hectares to 220,000 individuals.

The council of ministers recently approved additional measures in support of the idle lands scheme including an extension in lease lengths from 10 to 20 years, as well as an increase in plot sizes from 13.4 to 26.8 hectares. For plots dedicated to livestock rearing, the government will allocate between 27 and 67 hectares, in order to use technology more efficiently and raise output. Finally, land users will be able to 'associate or integrate' with state agriculture, sugar, or forestry companies.

Cuba spends on average US\$2bn a year to import 70% of its food needs. The agriculture ministry, however, believes that the island should be able to produce 60% of its food needs itself. The imports include bulk cereals and grains such as rice, corn, soy, and beans, as well as items like chicken and powdered milk. President Raúl Castro has been pushing to boost food output since 2008 when he replaced his ailing brother Fidel as the country's president, but the results appear to be mixed.

The government spent US\$242m on food imports from the US last year – in previous years this has been as high as US\$500m. US agricultural exports to Cuba could reach US\$1.2bn if remaining regulations were relaxed and trade barriers lifted, US agricultural lobbyists say.

Gearing up for November municipals

Survey

In mid July, a group of civil society organisations Consorcio Panorama Electoral, (comprising Grupo Civico Ética y Transparencia, Instituto de Liderazgo de las Segovias-ILS, Red de Mujeres Chontaleñas, Movimiento de Mujeres de Chinandega, Fundación Yarrince XXI) published the findings of a survey which showed that in more than 82% of the 150 municipalities polled, citizens had little or no interest in the electoral process.

President Daniel Ortega's Frente Sandinista de Liberación Nacional (FSLN) and leading opposition parties, such as the Partido Liberal Constitucionalista (PLC) of disgraced former president Arnoldo Alemán (1997-2002), have registered their candidates ahead of the 5 November municipal elections. Transparency remains a key opposition concern given the failure of the FSLN-controlled electoral authorities (CSE) to address complaints stemming from previous elections – most recently the 2016 contest which produced a re-election victory for President Ortega in a highly criticised electoral process. The lack of transparency on the part of the FSLN leadership regarding its selection of candidates is also reportedly causing some consternation within the ranks of the party itself.

The FSLN is seeking to build on its victory in the last (2012) municipal elections in which it won 134 of the country's mayoralties, up from 109 in 2008. In 2012 the ruling party not only won 16 of the 17 provincial capitals, the sole exception being Bilwi, the capital of the North Atlantic Autonomous Region (RAAN), which was won by the indigenous party Yatama, but it did so with considerable margins.

Ahead of the November vote, the FSLN has registered some 6,088 candidates for mayoral and council seats. However, in a move which is controversial, it has confirmed the identities of just two of these - Francisco Valenzuela and Melania Peralta – the mayor and deputy mayor of Estelí, a municipality in the eponymous department, who are running for re-election. National FSLN deputy Edwin Castro, the party's legal representative, said that the identities of all candidates would be made official only on 19 September once the CSE publishes the names of the candidates in the official gazette.

First Lady Rosario Murillo, vice president and official government spokesperson, claimed that candidates had been selected through a series of surveys conducted by the FSLN in recent months. However, the local media is reporting that these choices had in fact been made unilaterally by the party leadership which has prompted some grumbling at a regional party level. The investigative publication Confidencial reported that some FSLN members had registered their discontent in municipalities such as Masaya and Chinandega, capitals of the eponymous departments, along with El Realejo and Corinto (Chinandega) and Jalapa and Ocotal (Nueva Segovia). Confidencial highlighted the example of Jalapa where FSLN members took to the streets on 19 August complaining that their choice of candidate, Humberto Pérez, had been left off the list.

OAS observation?

With fresh democratic concerns regarding the process of selecting candidates, uncertainty surrounds another transparency-related issue – the role of the Organization of American States (OAS) in observing the vote. This was a key part of a deal signed in February between the OAS and FSLN government aimed at assuaging democracy-related doubts. In May an OAS mission came to Managua to discuss a three-year plan with the government but left prematurely, cancelling meetings scheduled with opposition political groups and civil-society organisations [WR-17-22]. Confidencial attributed this early departure to a disagreement with the Ortega administration regarding who the OAS mission was permitted to meet. On 23 June, Foreign Minister Denis Moncada announced that a group of OAS observers would be arriving in the country this month but provided no details on how it would be funded. The local media is reporting that so far just one OAS official, Luis Ángel Rosadilla, has arrived, and civil society groups are calling on the OAS to “break its silence” over its role in the elections.

Renewed calls for anti-gang legislation

A deadly shootout which took place in a Guatemala City hospital last week, involving members of the Mara Salvatrucha (MS-13) street gang, has reignited calls for the conservative Frente de Convergencia Nacional (FCN-Nación) government led by President Jimmy Morales to pass more stringent legislation against maras. Such calls remain controversial amid concerns that (if effective), it would place greater strain on a prison system already at breaking point.

The deadly attack, which took place on 16 August at the Roosevelt hospital, one of the country's largest public hospitals, left seven dead and 12 injured. The violence erupted after members of MS-13, one of the country's two main mara groups, attempted to free one of its members, Anderson Daniel Cabrera Cifuentes, who had been transferred to hospital for laboratory tests from the Fraijanes II prison on the outskirts of Guatemala City.

Unlike its 'Northern Triangle' neighbours (El Salvador and Honduras), Guatemala has yet to introduce legislation directly targeting gangs, membership of which a 2012 report by the United Nations Office on Drugs and Crime (UNODC) put at 22,000 in Guatemala. This compares with 20,000 in El Salvador and 12,000 in Honduras which passed anti-gang laws in 2010 and 2003 respectively. However, the latest attack has reignited calls for the legislature to approve an initiative introduced in May this year by national deputies Felipe Alejos and Juan Ramón Lau of the opposition Todos, which would punish those who join gangs and commit crimes with one to four years of jail time and a fine of between Q20,000 to Q35,000 (US\$2,751-US\$4,841). This penalty would increase by two-thirds if those convicted are found to have forced minors to commit criminal acts.

Prison crisis

The prospect of incarcerating yet more people comes as Morales is already under pressure to address the crisis facing the penitentiary system (DGSP). This has come to light on various occasions – in part due to riots which have taken place in recent months. These stem from prisoners' demands for better conditions, an end to overcrowding which Interior Minister Francisco Rivas said was at 300% overcapacity for men and 500% for women in the country's 22 prisons, and clashes between rival gangs. Earlier this month a riot took place at El Pavón prison, outside Guatemala City, which left a gang member dead. In July two riots took place at the Las Gaviotas youth correctional centre, located in Guatemala City, while in March the issue made headlines following two deadly riots at youth detention centres [\[WR-17-12\]](#).

Also indicative of the prison crisis has been instability at the top of the DGSP. On 17 August, Juvell Stuardo De León De Paz, a former prosecutor in the attorney general's office, became the third DGSP director under the Morales administration (which took office in January 2016). He replaces Nicolás García Fuentes, dismissed in May following the escape of a high-profile prisoner, Maritza 'La Patrona' Lemus, who was being held in remand at the 'Mariscal Zavala' military base, in Guatemala City (Lemus was subsequently recaptured).

García himself had replaced Carlos de León Zea, fired in July 2016 following a shoot-out which took place that month in El Pavón which resulted in 14 deaths – including the country's most famous prisoner (Ret) General Byron Lima Oliva. Lima had been convicted in 2001 of one of the most notorious crimes committed during the 1960-1996 civil war – the 1998 murder of Bishop Juan Gerardi.

Other measures to address the prison crisis

Interior Minister Francisco Rivas has announced plans to construct five new prisons as part of efforts to address the problem of overcrowding. In a press conference on 14 August, Rivas told reporters that these prisons are due to be located in the municipalities of Villa Nueva and Fraijanes, both in Guatemala department, as well as in El Progreso department.

Quotes of the week

"We have to conduct our negotiations...with sobriety, with temperance, without shrillness, and with the assurance that Mexico contributes an enormous amount to the dynamism of the North American region."

Mexico's Finance Minister José Antonio Meade on the start of the Nafta renegotiation.

"The government can believe that the [primary] elections constitute a source of support but we are going to impose our agenda again on the executive, the private sector and congress."
Juan Carlos Schmid, one of the leaders of Argentina's ruling triumvirate of the trade union movement Confederación General del Trabajo (CGT).

"Venezuelans today are being persecuted, jailed for thinking differently to the regime of the dictator Nicolás Maduro and the corrupt circle that surrounds him."
Venezuela's dismissed attorney general, Luisa Ortega, holds nothing back.

Chile leaves rapidly diminishing club

Chile will shortly leave the last select group of countries in the region, and the world, which outlaw abortion in all of its forms: El Salvador, the Dominican Republic, Haiti, Nicaragua, and Suriname. The final obstacle to a law allowing women to interrupt pregnancies if their life is endangered, if they have been the victim of rape or incest, or if the foetus is declared unviable, was removed this week when the constitutional tribunal (TC) issued a historic ruling rejecting a legal challenge from members of the right-wing opposition coalition Chile Vamos. The law had made it through Chile's congress earlier in the month.

"Women will recover the basic right they should never have lost: to decide when we live painful moments," President Michelle Bachelet said on Twitter in reference to the fact that abortion was legal before the dictatorship of General Augusto Pinochet (1973-1990). "Women have won, democracy has won, and Chile has won," Bachelet said later from the presidential palace La Moneda. Bachelet's much-trumpeted reform agenda has largely fallen flat over the last three years, and her popularity has slumped accordingly, but she now looks like leaving office in March 2018 with one positive legacy.

The TC vote was split 6-4 in favour of approving the law. In late August the TC, which acts like a third legislative chamber in practice, will change its president for one more attuned to the opposition so the ruling might have been issued in the nick of time.

At present, up to 160,000, often unsafe, abortions are suspected of being carried out in Chile every year, despite the law introduced at the tail end of the Pinochet-era in 1989. It has been a tense battle to change this law. Bachelet's first health minister, Helia Molina, was compelled to resign in 2014 after she commented that abortion was a matter of class, with "most conservative families" using "up-market clinics" while the poor had to rely on dangerous backstreet operations.

"What we have done is recover the law for the young...when we talk about the realities of girls raped in their own houses by relatives sheltered by the silent accomplices of those who should protect them," said Carolina Goic, who registered her candidacy for the centre-left Democracia Cristiana (DC) this week to compete in November's presidential elections.

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