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## Santiago Maldonado case poses threat for Argentina's Macri

The disappearance on 1 August of Santiago Maldonado, a young political activist and supporter of radical Mapuche indigenous campaigners in Patagonia, is escalating into a major test for the government led by President Mauricio Macri. Thousands demonstrated in Buenos Aires and other cities on 1 September demanding that his fate be clarified. There were violent incidents at the end of the march in the capital, when hooded demonstrators fought with police (the latter responded with water cannon and rubber bullets). Twenty-three people were wounded and 31 arrested, in what was one of the most violent clashes seen so far under the current government. The unresolved case could have a major impact on the mid-term elections due on 22 October.

There are various hypotheses about what happened to Santiago Maldonado, a 28-year-old artisan and tattoo artist. So far none have been proven: the court investigation into his fate has been agonisingly slow. Leaked versions of court documents are themselves inconclusive. Maldonado's family and supporters maintain that he was last seen after being arrested by the border police (Gendarmería Nacional, GN) during violent clashes on Route 40 in Chubut province.

A radical Mapuche group had blocked the highway in a demonstration of support for Facundo Jones Huala, a Chilean Mapuche leader currently held in an Argentine prison pending extradition hearings. Jones Huala is wanted in Chile on charges of arson.

The allegation is that the guards bundled Maldonado into one of their vans and he has not been seen since. If, as many fear, he is now dead, there is therefore a prima facie case to suggest he may have been the victim of an extrajudicial execution carried out by elements of the GN. However, court documents also say there are inconsistencies in the statements of witnesses who claim to have seen him being arrested.

There are a range of alternative versions about what may have happened to Maldonado, most of which absolve the GN and the security forces of any responsibility. Maldonado may have drowned crossing a local river; he may have suffered an accident; or he may have deliberately gone into hiding.

At least one version seems to have been eliminated. Members of one radical group – Resistencia Ancestral Mapuche (RAM) – are known to have attacked a tenant farmer on a large wool-producing estate controlled by Benetton, the Italian clothing company, nearly 10 days earlier in the early hours of 21 July. The farmer defended himself with a knife and wounded one of the hooded assailants.

## Macri

President Macri said this week that he was worried about the fate of Santiago Maldonado and was following developments day-to-day. In addition, Macri said he lamented the violence that had been seen on the streets of Buenos Aires.

Perhaps, it was speculated, the assailant had been Maldonado; perhaps he later died of his wounds and did not participate in the 1 August demonstration at all. However, this theory, favoured by some government officials, has been discarded as DNA analysis of blood on the knife indicates that it does not belong to Maldonado.

The key political problem for the government is that the security minister, Patricia Bullrich, may have been too quick and too fulsome in her defence of the GN. She and other officials are seen as having consistently lent weight to speculative explanations of Maldonado's disappearance that absolve the GN of any responsibility.

Further tests – on GN vehicles where traces of Maldonado's DNA could be detected – are still pending. Bullrich has been at pains to say that the GN and Argentina's police "are not the same as 40 years ago" – a reference to the notorious dirty war of 1976-1983 when extrajudicial executions and 'disappearances' were rife. But if evidence does emerge to implicate the GN, her job may end up being on the line – just in the last few weeks before the crucial mid-term elections on 22 October.

### High stakes

Realisation of the high political stakes involved may have been a key factor leading President Macri to refer to the case this week – his first public intervention so far – in markedly more cautious terms than those that had previously been employed by Bullrich.

"The government is at the service of the courts; we are not pre-judging the case, we are not discarding any lines of enquiry, but we are collaborating, as required in any democratic state, so that the judge and the prosecutor have everything they need to continue the investigation," Macri said.

There are two, not mutually exclusive, ways in which to view the Maldonado case. One is to see it as a serious human rights incident that is becoming politically super-charged because of the proximity of the mid-term congressional elections. This poses a major challenge to Macri because it serves to distract attention from his preferred electoral theme of economic recovery and investment.

In addition, the Maldonado case appears to fit into the opposition *Kirchnerista* playbook, which tries to portray the Macri government as repeating the neo-liberal economic policies and the gross disregard for human rights that characterised the military dictatorships that ruled Argentina in the 1970s and 1980s.

Indeed, Unidad Ciudadana (UC), the newly created party of former president Cristina Fernández (2007-2015) has demanded that the GN be pulled out of all electoral logistics and support duties in the mid-terms. The UC also wants an audit of Indra, the Spanish IT company running the electoral software. The party says it received reports of "undue intervention" by the GN in the August primaries.

### Mapuche militancy

The second perspective suggests there may be a significant rise in Mapuche militancy across both Chile and Argentina. Legislation in both countries offers a degree of recognition of the rights of indigenous communities, but in practice many Mapuches believe large commercial logging and wool companies have seized their ancestral lands.

## Arson in Araucanía

Another arson attack on 28 August in Araucanía in southern Chile saw the destruction of 29 trucks and was claimed by what appears to be a breakaway from Coordinadora Arauco-Malleco (CAM), calling itself Weichan Auka Mapu ('Fight of the Rebel Territory').

Organisations like RAM, led by Jones Huala, support armed action. Others like Coordinadora Arauco-Malleco (CAM) were involved in an arson attack in Chile in 2013 that led to the death of an elderly couple, Werner Luchsinger and Vivianne Mackay (*see sidebar*).

These actions have fed controversy in the Chilean presidential election campaign, with conservative frontrunner and former president Sebastián Piñera (2010-2014) saying they amount to terrorism and should be countered with a major security clamp-down, while one of his opponents, Alejandro Guillier, aligned with the current centre-left Nueva Mayoría government led by President Michelle Bachelet, has chosen to speak only of a problem of "acute violence" in southern Chile. Guillier argues against an over-reaction which could risk escalating the problem.

It is calculated that there are over 600,000 Mapuches in Chile, and perhaps one-tenth of that number in Argentina (where they are nevertheless the largest indigenous community). Argentine politicians are becoming more aware of the strategic implications of a potentially escalating dispute over land rights. Neuquén province, north of Chubut where the protests in support of Jones Huala took place, is also home to the Vaca Muerta shale oil and gas deposits, now believed to be one of the largest in the Western Hemisphere.

### What if Fernández wins?

The primary elections held on 13 August were widely seen as a victory for the ruling centre-right Cambiemos coalition, positioning it as most likely to do well in next month's congressional midterms.

But now a seed of doubt has been planted. On 29 August Fernando Álvarez, director of the federal electoral institute, said former president Cristina Fernández had in fact received more votes supporting her candidature for the federal senate in the province of Buenos Aires than had the Cambiemos candidate, Esteban Bullrich.

It was a close-run thing. With just under 96% of the votes counted Bullrich had led Fernández with 34.19% against her 34.11%. But Álvarez said that with the full 100% of the votes counted, Fernández had pushed ahead to achieve 33.95% support, versus 33.74% for Bullrich.

It might be argued that such a small difference is neither here nor there – after all, the definitive contest is the one that happens on 22 October. But Argentine politics being what it is, the news has set off intense debate. Many *Kirchnerista* supporters of Fernández are claiming that the vote count was deliberately delayed to favour the government candidate (a claim denied by Álvarez).

Other less partisan analysts say Cambiemos is still poised to do well across the country as a whole, but, even so, a *Kirchnerista* victory in Buenos Aires province is possible and would be a major setback for President Macri. Despite the fragmentation of the anti-Cambiemos parties, it would allow Fernández to claim to be the leader of the opposition. It would make it more difficult for Cambiemos to get congressional support for further economic reforms in 2018-2019. And it would give her congressional immunity from the various corruption and money-laundering charges she faces in the courts.

However, Mariela Fornoni, from polling company Management & Fit, suggests that, taking into account likely voter swings away from the smaller parties ahead of election day, Cambiemos could still win in Buenos Aires province, albeit with a very small margin.

Other pollsters say Fernández is a polarising figure, with her core supporters concentrated in the province, but that she has seen her ratings plummet in other parts of the country.

**Maduro and Chevron 'look for solutions'**

In Caracas, on 5 September, President Nicolás Maduro met the president of Chevron Africa Latin America, Clay Neff, and his adviser, Alí Moshiri, to 'look for solutions' to the impact of the latest US economic sanctions on the strategic partnership between Chevron and the state-run *Petróleos de Venezuela (Pdvsa)*.

According to the government mouthpiece AVN, President Maduro ratified his commitment to maintaining commercial relations and foreign investment in the country despite the latest US economic sanctions on Venezuela, which effectively make it far more financially complicated for the government and Pdvsa to operate.

Chevron, with a long history in Venezuela, is Pdvsa's minority partner in several mixed companies including Petroboscán, which operates in the Boscán Field in the Western oil-producing state of Zulia; Petropiar, a crude upgrader in the country's Orinoco belt (officially the 'Faja Petrolífera del Orinoco Hugo Chávez'); and Petroindependencia, which operates in the Carabobo 2 South, Carabobo 3 North and Carabobo 5 blocs, located in the states of Anzoátegui and Monagas. It also has an offshore presence in the Loran Manatee Field, which straddles the maritime border between Venezuela and Trinidad & Tobago.

Chevron has previously provided financing to Pdvsa of some US\$2bn to help boost output at the Boscán Field, which holds some 1.5bn barrels of extra heavy crude. Under the latest sanctions, this would not be permitted. The meeting at the Miraflores presidential palace reportedly explored ways to deal with the sanctions; no further details were forthcoming. In August, Venezuelan media reported that Chevron was pulling some staff out of Venezuela because of the growing difficulties on the ground in the country.

Indicative of the importance of the meeting, Maduro was accompanied by Vice President Tareck El Aissami, Oil Minister Eulogio Del Pino, Pdvsa President Nelson Martínez, and Planning Minister Ricardo Menéndez.

**Arrests indicative of financial difficulties at Pdvsa**

Gustavo Malavé, the head of Pdvsa-Occidente, the company's operating arm in the western oil region of Zulia, along with eight other company executives, was arrested on 4 September, according to a *Reuters* report citing a Pdvsa internal memo and other local industry sources.

Local media later reported that Malavé and other senior officials were called to a meeting by the office of the comptroller general at Pdvsa-Occidente's headquarters in El Menito, Lagunillas (Zulia). Upon arrival, they were informed of their arrest. The eight other detainees reportedly included Juan Barreto, operational manager at Pdvsa-Occidente; Juan Romero, president of Petrozamora; Adolfo Torres, head of DSI Occidente; José Marín, head of DSI Petrozamora; and Henry Sánchez, head of DSI COL. The group was reportedly arrested on suspicion of the purchase of 100% overpriced emulsifiers (used to separate oil from other substances like saline water).

Tarek William Saab, the attorney general designated by the new constituent assembly, had previously stated that authorities were investigating "spectacular" overpricing in dozens of contracts in the Orinoco belt. Amid severe cash shortages, the government has latterly begun to delve deeper into the

**Oil price**

Venezuelan oil has averaged US\$43.85 per barrel to date in 2017, up from US\$35.15/b in 2016, according to latest data from the energy ministry. On data from the Organization of the Petroleum Exporting Countries (Opec), output has continued to decline, averaging 1.938m barrels per day in June.



## Tintori

Also with the Venezuelan delegation in Europe are representatives of Lilian Tintori, the activist wife of opposition leader Leopoldo López. Tintori, who is some four months pregnant, had been prevented by the authorities from leaving Venezuela for the European trip. That proved another PR mistake for the Venezuelan government, with France's President Emanuel Macron, Spain's PM Mariano Rajoy, and others personally tweeting support for her.

problem of corruption at Pdvsa. Pdvsa has pledged a 'war' on corruption, but insists that the problem is limited to a small group of employees. Yet these latest arrests of senior executives suggest that the problem is almost certainly more widespread. The opposition-led national assembly last year released the findings of an investigation into Pdvsa which estimated that US\$11bn was lost at the company in the decade between 2004 and 2014, when Rafael Ramírez was company president. Now based at the United Nations (UN) in New York (having been demoted, effectively), he denied the allegations. Separate US investigations into corruption at Pdvsa have also appeared to implicate Ramírez, however.

## VENEZUELA | DIPLOMACY

### How *not* to win friends and influence people

Opposition leader Henrique Capriles Radonski has slammed the Venezuelan government for spending US\$175,000 on a full page in the *New York Times* to run an 'Open Letter to the Government and the People of the United States'. Calling for dialogue and understanding, the letter concludes with an appeal – "In the words of John Lennon: Let's give peace a chance."

The US ambassador to the United Nations (UN), Nikki Haley, was unmoved, tweeting her disapproval of Venezuela's foreign minister, Jorge Arreaza, ahead of his upcoming appearance at the UN Human Rights Council (OHCHR). "Venezuela's FM addressing the HRC makes a mockery of the institution. Rather than welcoming him, the HRC should be denouncing his gov't", she wrote on 7 September.

President Nicolás Maduro is determined to win international recognition for the new national constituent assembly. Reportedly, Maduro himself intends to address the opening day of a three-week OHCHR session on 11 September. To date, the US and the European Union (EU), along with a majority of Latin American countries, have refused point blank to recognise the assembly. The US has reacted by ratcheting up sanctions against Venezuela, with Maduro himself now designated.

Spain is also pushing for the EU to impose some form of restrictive measures on the Venezuelan government. Spain's prime minister Mariano Rajoy this week hosted the president of Venezuela's national assembly, Julio Borges, who is in Europe along with the assembly vice president, Freddy Guevara, and other opposition representatives. The delegation is meeting officials in Paris, Madrid, Berlin, and London. France's President Emmanuel Macron personally hosted the delegation, as did Germany's Angela Merkel.

In a statement on 5 September, Spain's foreign ministry said that "Spain, in the same way as the whole EU and the main countries in the region, only recognises the National Assembly as the holder of the legislative power in Venezuela, which was democratically elected and presided over by Julio Borges, and not the Constituent Assembly, which does not represent the majority will of the Venezuelan people".

Arreaza slammed Rajoy, and accused him of interference: "@marianorajoy assaults Venezuelan dignity, representing the worst colonial past, defeated and expelled by our Liberators," he tweeted. He also took aim at Merkel, calling on the German government to "abandon its partial position on Venezuela" and urging Merkel to "inform herself objectively". He likewise repudiated Macron. As if that were not enough, Arreaza also summoned the countries' respective ambassadors in Caracas and gave them a dressing down for EU interference in Venezuelan affairs. If the Maduro government is looking to win support, it is going about it in a strange way.

## Tipping point for peace?

Two major events this week may give the Colombian peace process greater momentum. On 4 September the government and the leadership of the guerrilla group Ejército de Liberación Nacional (ELN) announced a ceasefire agreement. Scarcely 48 hours later Pope Francis arrived on an official visit to the country. This is the first papal visit to Colombia in 31 years; Francis is expected to endorse the peace process.

Reaching a ceasefire deal with the ELN is a major achievement for the government led by President Juan Manuel Santos. The government spent years negotiating a settlement with Colombia's largest guerrilla group, Fuerzas Armadas Revolucionarias de Colombia (Farc), which had around 7,000 fighters. The idea was always to follow that up by reaching a parallel peace deal with the ELN, which has roughly 2,000 fighters.

Starting with the Farc made sense, but there was always a risk that afterwards reaching a settlement with the ELN would prove elusive. In a worst-case scenario, if the ELN would not agree terms, Colombia's long war might drag on. Indeed, there was a danger that demobilised former Farc fighters might take up arms again, this time under the ELN flag.

That risk remains, as does the risk that former guerrillas from both organisations might join the ranks of various criminal and drug-trafficking organisations. But the ELN ceasefire is at least a move in the right direction. Government and ELN negotiators signed the ceasefire deal in Quito where the talks are being held. The ceasefire will commence on 1 October and run for 102 days through to 12 January 2018, with the possibility of extension.

The terms reportedly include a specific ELN commitment to suspend kidnappings, bomb attacks on oil pipelines, and other hostilities affecting the civilian population. The head government negotiator, Juan Camilo Restrepo, said the government had agreed to improve conditions of detention for jailed ELN members. The government also agreed to improve the early alert system, an arrangement designed to protect community leaders from attack and assassination by right-wing paramilitaries. The ELN has agreed to stop recruiting children into its combat units. It has also agreed to stop laying mines and improvised explosive devices (IEDs) in areas where they could harm the civilian population.

It was clear that both sides had felt the need to settle the ceasefire just ahead of the papal visit. To that extent the visit had already proved successful even before Pope Francis stepped on Colombian soil on 6 September. However, it is also the case that there is a long way to go before a full government-ELN settlement can be reached.

After two years of fitful exploratory talks, the government began formal peace negotiations with the ELN in March last year since when they have ebbed and flowed. Since February this year there have been three rounds of talks hosted by Ecuador. Progress has been slow partly because of the ELN's continued use of kidnapping and extortion.

The ceasefire will not of itself make it easier for the two sides to agree a lasting settlement. However, Pope Francis' visit is clearly designed to endorse the peace process and promote reconciliation, in a country where significant groups remain reluctant to set aside deeply embedded hostilities. Colombia is a strongly Catholic country, so what the Pope says has a significant impact.

### Ceasefire

Pablo Beltrán, the chief ELN negotiator, said, "For peace to arrive in Colombia, we all need to change". He added that it would be "a challenge" for the ELN to fulfil the terms of the ceasefire deal.

### Papal visit

The last papal visit to the country was by John Paul II in 1986. Francis is visiting Bogotá, Villavicencio, Medellín, and Cartagena. The programme calls for him to meet victims of Colombia's half a century of violence: former guerrillas, priests, and community leaders.

### Farc transitions to political party

The Farc has held its first congress since the implementation of the peace agreement, designed to confirm its transition from a military force to a political party. The congress confirmed a name change. The new party retains the Farc acronym, but the words have changed. The full name now is Fuerza Alternativa Revolucionaria del Común, replacing the old Fuerzas Armadas Revolucionarias de Colombia.

The Farc's maximum leader, 'Timochenko' (Rodrigo Londoño Echeverri), was confirmed as party president (he has however returned to Cuba for ongoing medical treatment). A national council of 111 members will be the party's main policy-making body. The congress also agreed the party's symbol will be a red rose and a star. It said its objectives will include fighting corruption and promoting arts and culture.

A press release said "No more of the traditional political parties and their corrupt policies; transparency and truth will guide our new party". Under the transitional terms of the peace settlement the Farc is guaranteed a total of 10 seats in congress after the 2018 elections (five in the lower chamber and five in the senate) irrespective of how many votes it receives. The party has not yet announced who its candidates will be.

## ECUADOR | ECONOMY

### Trimming the fat

**On 7 September, just two days after he denied that an economic adjustment package, or 'paquetazo', was in the offing, President Lenín Moreno issued an executive decree imposing just that – but on the public sector exclusively.**

Executive decree no. 135, published by the communications secretariat (Secom), seeks to 'reinforce austerity' and 'optimise expenditure'. Measures include immediate 10% salary cuts for senior public servants (as of 1 September), and the suspension of performance-based 'efficiency' bonuses for the 2017 and 2018 fiscal periods.

The category of senior public servants includes ministers, deputy ministers and the heads of state bodies, as well as senior civil servants. According to Labour Minister Raúl Ledesma, the measure will apply to 7,242 public servants in all, generating savings of US\$34m a year. Exempted from the pay cuts are managerial staff in the health and education sector, and the armed forces and national police.

Relatedly, there will be a public sector hiring freeze, with vacancies across all state bodies to be eliminated. Ministries and other state bodies must review staff numbers, meaning possible job losses. Extra working hours will be capped at 30, and must be pre-authorized, while general living expenses, including for items like mobile phones, will also be rationalised.

Other miscellaneous spending faces the chop, with tighter controls on foreign and internal trips (including a ban on first class airline tickets for all but cabinet ministers) and restrictions on the purchase and use of high-end vehicles like 4x4s. Advertising and communications budgets will be slashed, with the use of private venue hire for public events prohibited. Security details will also be reduced (this will fall to the interior ministry).

Finally, the government plans to sell off a portfolio of state assets (including old colonial buildings, offices, land, and vehicles) with an estimated value of US\$300m. The proceeds will go towards Moreno's public housing scheme, 'Casa para Todos'. In all, the new measures could generate an estimated US\$400m in savings, state media reported, albeit Finance Minister Carlos de la Torre said the full saving would only be known towards the year-end.

On the weekly '*El Gobierno Informa*' on 1 September, Moreno was at pains to stress that he would not impose a 'paquetazo', stating that he would never

### Lack of inflation points to economic stagnancy

Inflation in August was a mere 0.01% month on month and 0.28% year on year.

Accumulated year to date inflation was thus 0.20% for the first eight months.

Ecuador is registering some of the lowest inflation rates since dollarisation (in 2000).

This is not a good sign; rather, it is a strong indicator that domestic demand remains very weak.

The newly-approved budget for the remainder of 2017 projects real GDP growth of just 0.4% this year; most private economists expect a contraction.

take measures that risked affecting the poorest and most vulnerable. At the same time, he recognised that the economic situation was “complex”.

This reluctance by Moreno to follow through on his earlier pledges to deal with the fiscal ‘mess’ he inherited from his predecessor, Rafael Correa (2007-2017), may also relate to the growing internal splits in the ruling left-wing Alianza País (AP) between *Morenistas* and *Correístas*. The latest blow was the departure of none other than Ricardo Patiño, an AP founding member and one of Correa’s most respected ministers. Patiño, with two other high-profile AP figures, Paulo Pabón and Virgilio Hernández, quit as advisers to Moreno in late August in protest at what Patiño said was the “unfair criticism” of the results of the ‘won decade’ under Correa.

With Correa supporters agitating, Moreno is in a poor position to impose a politically difficult fiscal adjustment, and, in truth, he appears a lot less committed to it now than before his election. An adjustment now would only risk prolonging the country’s recession. Yet, at the same time, Moreno rejected the idea of “reckless indebtedness”, another apparent slight at Correa.

Against this difficult backdrop, Moreno again mooted the idea of a ‘consulta’ – a national plebiscite – to gauge public support for a ‘menu’ of future economic measures. Arguably that might buy him some political breathing space. For the conservative opposition and the local business sector, however, difficult decisions need to be taken sooner rather than later if the economy is to get out of its current stagnation.

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### TRACKING TRENDS

**ECUADOR | New budget plan approved.** On 31 August, Ecuador’s unicameral national assembly approved a new national budget plan for the remainder of the year, totalling US\$36.8bn, of which 39% has already been spent. The assembly voted 75-22 with 34 abstentions in favour of the new budget proposal presented by the government led by President Lenín Moreno. An official statement said that the legislative economic commission has ensured that the project complies with the equation that permanent (regular and recurrent) income does not exceed permanent expenses. It added that the commission has also verified that there is an increase in the budget allocations in both the social area and other budget items linked to the attainment of the country’s development objectives such as education, health, peace & justice, and poverty eradication. The permanent income in the new budget plan is US\$20bn while the permanent expenses are around US\$19bn, which implies a US\$1bn surplus, the president of the economic commission, Pabel Muñoz, said in statements published on the assembly’s website. However, the report on the new budget plan presented by Muñoz to the assembly plenary shows that while this stipulates a permanent fiscal surplus, this is not the case when it comes to ‘non-permanent’ income and expenses, where the projection is for a US\$5.89bn deficit. This translates into a full (permanent plus non-permanent) fiscal deficit of US\$4.79bn. This deficit was carefully scrutinised and approved by the assembly’s plenary, which is responsible for verifying that the budget plan complies with the national development plan and the government borrowing limits set by law. However, in its report, the assembly’s economic commission included recommendations such as maintaining a constant surveillance of the country’s trade balance, an aspect which is defined as Ecuador’s ‘Achilles’ heel’, since the exclusion of oil revenues from this balance leaves a deficit of over US\$1bn. Meanwhile, Muñoz noted that the new budget plan forecast GDP growth of just 0.71% this year. In the last decade, Ecuador’s average annual economic growth was of 3.4%, above the average of 2.5% but such growth now looks out of reach for Ecuador.



**Brazil pushes for increased trade with China****Economic growth**

Brazil's national statistics institute (Ibge) has reported that the domestic economy grew by 0.2% in the second quarter in seasonally adjusted terms. The result means that Brazil has now posted two consecutive quarters of positive economic growth and so has technically come out of recession. A breakdown of the results shows that investment remains weak (-0.7% quarter on quarter) but consumption is up (+1.4% quarter on quarter) as the labour market begins to recover.

Brazil's President Michel Temer has just returned from a whistle-stop tour of China, where he plugged business and investment opportunities in Brazil. Temer conducted a state visit at the invitation of his Chinese peer, Xi Jinping, during which he signed 14 international accords and met business leaders. Temer also travelled to China's south-eastern city of Xiamen for the ninth Brazil, Russia, India, China, and South Africa (Brics) grouping of emerging economies summit. Temer was careful to focus exclusively on business and trade, ignoring ongoing political tension at home.

China has been Brazil's biggest trading partner since 2009. Bilateral trade, investment, and finance between the two countries has grown exponentially in recent years, especially in the agriculture, energy, and infrastructure sectors, President Xi noted during a meeting with Temer in Beijing. However, both presidents believe there is still scope to deepen economic ties between the two countries. Temer came to China armed with a portfolio of investment opportunities and is looking to diversify trade relations, which have traditionally focussed on commodities exports from Brazil to China such as iron ore, petroleum, and soy beans.

While many investors are excited about these new developments, Temer's critics argue that his blinkered focus on economic growth came at the expense of establishing a robust foreign policy with both China and other Brics countries. Indeed, Temer only signed a smattering of non-economic accords with China to set up joint culture, technology, sport, and technology initiatives.

**Sino-Brazilian investment opportunities**

Days before he set foot in China, Temer unveiled an ambitious privatisation plan to sell off over 57 state-owned assets, which he believes could be of particular interest to Chinese investors. The money raised would go some way towards helping Brazil close its fiscal deficit, which currently stands at around 9% of the country's GDP. Brazil's ambassador to China, Marcos Caramuru, said he believes that Chinese companies will be particularly interested in the privatisation of Brazil's utilities, highways, railways, and ports. "We have infrastructure assets that will interest the Chinese and enable them to prepare themselves for auctions. China is the country that invests most in infrastructure in the world. Additionally, they have a high financing capacity", Camaruru said in an interview with Brazil's state-owned media, *Agência Brasil*.

Notably, some of the bilateral agreements signed by Temer and Xi are aimed at boosting Chinese investment in Brazil. These include agreements for China to open up two new credit financing lines to Brazil: one for R\$942 (US\$300m) to the state-controlled bank Banco do Brasil and the other for R\$10bn (US\$3bn) to Brazil's development bank (Bndes).

In terms of infrastructure projects, China's State Grid Corporation signed a contract to build power lines between the Brazilian states of Xingu and Rio de Janeiro. Additionally, the China Communication and Construction company will invest R\$2.2bn (US\$700m) in the construction of a new private terminal in São Luís port in Maranhão state. The China National Nuclear Corporation also signed a memorandum of understanding with Brazil's state-owned electricity firm, Eletrobras, to continue building the 'Angra III' nuclear power plant in Rio de Janeiro state.

## China to loosen restrictions on Brazilian meat

China should increase the amount of Brazilian meatpackers allowed to export to Brazil, Brazil's agriculture minister Blairo Maggi told journalists on 1 September. "I was very gratified to hear President Xi Jinping saying the following: 'I like Brazil's meat, I love Brazilian meat, I am a poster boy for Brazilian meat'", Maggi said in a video posted on *Twitter*. Brazil's meat industry has been suffering from a PR crisis after a corruption investigation exposed deficiencies in the country's health and safety procedures, which Maggi has been trying to address.

Besides focussing on opportunities for large Chinese corporations, Temer is creating incentives for Brazil's small-to-medium sized businesses (SMEs) to broaden their horizons and export to China. During the China-Brazil business summit held on 2 September, Temer implored SMEs to "explore new frontiers". He noted that, to facilitate their growth, Bndes recently opened a credit line of R\$20bn explicitly for SMEs. Temer added that the ministry of industry and commerce and Brazil's exports and investment agency, Apex-Brasil, would support the expansion of smaller companies into foreign markets.

### Brics summit

The theme of this year's Brics summit held in the city of Xiamen was promoting free trade against the threat of protectionism epitomised by the US's 'America First' policy. Through greater cooperation between emerging market countries, you can "grow the [economic] pie" without "touching anyone's cheese", President Xi said.

In this spirit, on 4 September, Temer held talks with India's prime minister, Narendra Modi, to discuss extending a preferential tariffs agreement between the Southern Cone Market (Mercosur) and India. Currently, Mercosur offers preferential tariffs on 450 tradable goods under a 2008 agreement, but the idea is to extend the agreement to 2,000 goods to facilitate imports and exports. As Brazil is currently Mercosur's interim president, Temer has some influence over the Mercosur agenda, but he failed to lay down a timeline for when he would broach the tariffs debate with the other Mercosur members.

To facilitate closer economic ties with the rest of the Brics bloc, Brazil's foreign minister, Aloysio Nunes, argued that Brazil should be granted permission to open a local agency of the Brics New Development Bank (NDB). The NDB was launched in 2015 to provide financing to emerging economies and currently has branches in Shanghai and Johannesburg. Nunes wants to open another branch in either São Paulo or Rio de Janeiro within two years.

### Trouble on the home front

Temer almost cut his trip to China short to contend with a domestic political crisis brewing at home. While he was in China, Brazil's attorney general, Rodrigo Janot, threatened to file new set of corruption charges against Temer based on evidence from the plea-bargaining agreements with executives at investment holding firm J&F Investimentos.

This time around, the wind appears to be blowing in Temer's favour. Janot is under pressure to bring the investigation to a close before the end of his term on 17 September. But just as he was about to deliver another damning set of allegations, a new leaked audio recording emerged which called the evidence against Temer into question by exposing inconsistencies in the J&F executives' testimonies. The recordings have also cast doubt on the probity of a leading prosecutor in the case. This will undoubtedly strengthen Temer's defence case that the judicial attacks against him are politically motivated. Speaking at a press conference in China, Temer said he was "serene" about the prospect of being investigated again.

During Temer's absence from Brazil, the head of Brazil's federal chamber of deputies, Rodrigo Maia, acted as interim president. This left the rosy-cheeked 28-year-old federal deputy André Fufuca, from the government-allied Partido Progressista (PP), in charge of the unruly chamber of deputies. Fufuca suffered from leadership problems when a vote on political reform was boycotted by the opposition.

## Paper companies and a red Ferrari

Two new corruption scandals have emerged in Mexico, contributing to the feeling that President Enrique Peña Nieto's authority and popularity is eroding further as he approaches his last full year in office.

On 4 September, lobby group Mexicanos Contra la Corrupción y la Impunidad (MCCI), together with the news website *Animal Político*, released a joint investigation into payments made in 2013 and 2014 by 11 federal ministries and agencies for services provided by universities, totalling M\$7.67bn (US\$429m). According to the investigation, out of that total around M\$3.4bn (US\$190m) was paid to 128 phantom companies. The comptroller-general's office (Auditoría Superior de la Federación, ASF) had already identified problems with these payments, since they were made to companies that were not properly registered or lacked the necessary infrastructure.

In a statement published the same day as the MCCI/*Animal Político* report, the ASF said 10 public servants at three federal agencies faced non-criminal penalties as part of an ongoing investigation. A further 40 were still under investigation.

This particular scandal could embarrass some senior figures. A number of the improper payments were made by the social development ministry (Secretaría de Desarrollo Social, Sedesol) when it was run by Rosario Robles, who is now minister for agrarian, territorial and urban development (Secretaría de Desarrollo Agrario, Territorial y Urbano – Sedatu). Improper payments were also made by a state-owned bank (Banco Nacional de Obras – Banobras) that at the time was run by Alfredo del Mazo, the recently elected governor of Estado de México (Edomex) and a key figure in the ruling Partido Revolucionario Institucional (PRI) of President Peña Nieto (*see sidebar*).

The government also faces embarrassment over a separate report by MCCI which states that the attorney general, Raúl Cervantes, owns a US\$220,000 Ferrari 458 Coupé registered to an unoccupied address in the state of Morelos. Strangely, a total of 16 luxury cars including 11 Ferraris are registered to a group of small homes in the same neighbourhood.

Some of the vehicles have been linked to transactions involving Roberto Borge, former PRI governor of Quintana Roo (2011-2016), now imprisoned in Panama pending extradition to Mexico on corruption charges. Through his lawyer, Cervantes issued a statement saying the car had been registered to the address in Morelos because of an "administrative error". He denied that any laws had been broken, saying he had bought the Ferrari in 2011 when in private practice as a lawyer and before holding any positions in the government.

The Ferrari affair comes at a sensitive time for the government. It is seeking to move forward with a longstanding plan to reform the attorney general's office, which includes changing its name from Procuraduría General de la República (PGR) to Fiscalía General de la República (FGR). Various changes are intended to give the FGR greater independence from the executive. Its head is to be appointed for a nine-year term (longer than the president's six-year term, therefore ensuring an overlap). Despite resistance from civil society lobby groups the government has made it clear it is minded to appoint Cervantes to the new FGR role; the Ferrari scandal may make that a little more difficult.

The government is also facing difficulty launching its new anti-corruption framework (Sistema Nacional Anti-Corrupción, SNA) with the post of anti-

### Del Mazo

Alfredo Del Mazo is reputedly a member of the shadowy Grupo Atlacomulco, said to be a club of top state-level party officials and political families (the PRI, however, has never confirmed its existence). It is claimed that some improper payments were also made by the state oil company Pemex, already in the news due to allegations (denied) that its former chief executive Emilio Lozoya had accepted bribes from Odebrecht, the Brazilian civil engineering group.

## Peña Nieto's popularity

Not surprisingly perhaps the latest opinion polls continue to show that President Peña Nieto's approval ratings are at a low ebb. According to a survey by De Las Heras Demotecnia, the president's approval rating is down to 22%, while his disapproval rating stands at 62%. Forty-two per cent say the Peña Nieto administration is 'doing very badly' and agree with the statement 'on this route we are going nowhere'. A total of 74% said Mexico has "regressed" under the Peña Nieto government, while 22% believed there had been progress and 4% did not know or did not answer.

corruption prosecutor, which requires a cross-party congressional agreement, still vacant. In addition, according to an article published by the *New York Times* on 30 August, Peña Nieto has tried to bring pressure to bear on a prominent businessman, Claudio X González Laporte, telling him "your son needs to stop being so critical of the government". The son in question is Claudio González Jr, head of MCCI. According to the newspaper, González Jr is one of the victims of government surveillance using the Pegasus spyware system. The government denied that Peña Nieto had sought to pressure González Sr; his son said, "we will continue to denounce corruption and impunity wherever we find it".

### The Informe makes the case for continuity

President Peña Nieto made a speech on 2 September to present the *Informe* – his fifth annual state-of-the-nation address. Earlier, a 680-page printed version of the report had been presented to congress. In the speech Peña Nieto said his government had achieved "historic" advances in reducing poverty and encouraging foreign investment and stated that the country had a choice between continuing to build Mexico as a world power of the future, or returning to "a failed model of the past" (seen as a veiled reference to the policies of left-winger Andrés Manuel López Obrador, who according to the latest opinion polls continues as the frontrunner in the 2018 presidential election race).

Recognising that Mexican society demands greater personal security Peña Nieto said the government had "neutralised" 107 out of 122 targets on its list of criminal kingpins, and reduced the homicide rate from 22.2 to 17.2 deaths per 100,000 inhabitants between 2012 and 2015 (critics note, however, that the rate increased in 2016). Peña Nieto said the latest official figures showed 43.6% of the population is living in poverty, down from 45.5% in 2012.

## TRACKING TRENDS

MEXICO | **OECD hails telecoms reform.** Mexico's 2013-2014 telecommunications reform has led to a fall in prices in the sector of more than 60%; and an increase in the number of mobile broadband users by 50m since 2013, according to a new report released on 31 August by the Organisation for Economic Co-operation and Development (OECD). The 'OECD Telecommunication and Broadcasting Review of Mexico 2017' said that the telecoms reform promoted by the government led by President Enrique Peña Nieto, which was designed to increase competition in the oligopolistic domestic telecoms market, succeeded in reducing the market share of the dominant local telecoms firm, América Móvil, and this has produced benefits for Mexico's general population. The report, presented by the OECD chief of staff and 'G-20' summit Sherpa, Gabriela Ramos, notes that, in the wake of the reform, "mobile services in Mexico went from being amongst the most expensive among the OECD before the reform to one of the cheapest". According to the report, the prices of the three main mobile services providers in Mexico fell by 61%-75% thanks to the encouragement of increased competition in the sector and the adoption of a regulatory and legal framework that encourages the reduction in prices of mobile services packages. In particular, the report highlights that the prices of mobile broadband have "considerably fallen" between 2013 and 2016 and that these now lie below the OECD average. All of this has led to the number of mobile broadband users in Mexico over the period to increase by "more than the population of Colombia". Significantly, the report states that the "sharp drop in the cost of telephone calls and internet access overwhelmingly benefits poorer families in a country where spending on [these] services in the poorest households averages 10% and 6.2% of monthly income compared with 1.8% and 1.2% in the wealthiest households". However, the report also points out that there is still room for improvement as the overall market share of incumbent operators remains at a high 71.8% compared with 83.8% in 2012.



**Electoral financing**

In July 2015, the United Nations (UN)-backed International Commission against Impunity in Guatemala (Cicig) released a report on electoral financing which found that according to data submitted by the electoral authorities (TE), in the 2011 general election over Q300m (US\$39m) of campaign financing was unaccounted for. The report also found that in the last elections the Partido Patriota (which has since been stripped of its status) exceeded the legal campaign spending limit by Q101m (US\$13m); the Libertad Democrática Renovada (Líder) party (which has also been stripped of its status) by Q68m (US\$9m); and the Unidad Nacional de la Esperanza (UNE) party by Q56m (US\$7m). Cicig also cites local watchdog, Acción Ciudadana, which put these figures at Q189m, Q114m, and Q84m respectively.

**Morales's fate is in the hands of congress**

Guatemala's President Jimmy Morales is one step closer to being prosecuted. The supreme court (CSJ) this week ruled that the national legislature should vote on whether he should be stripped of his immunity from prosecution so that he can be investigated for the alleged irregular campaign financing of his Frente de Convergencia Nacional (FCN-Nación) party in the 2015 general election campaign. The move is in line with a request filed on 25 August by the attorney general's office (AG) and United Nations (UN)-backed International Commission against Impunity in Guatemala (Cicig), whose director Iván Velásquez, Morales unsuccessfully sought to expel from the country, sparking a major political crisis [[WR-17-34](#)]. With some of Guatemala's other political parties themselves facing similar accusations, the CSJ's ruling has subjected the 158-member unicameral national legislature – one of the country's least trusted institutions – to major scrutiny.

The CSJ announced its decision on 4 September, just over a week after Velásquez and the head of the AG, Thelma Aldana, announced the findings of an investigation which found irregularities in the FCN-Nación's 2015 electoral campaign-spending and requested that President Morales, who acted as FCN-Nación secretary general until he stepped down just before his inauguration as president in January 2016, be investigated in relation to these. According to Cicig and the AG, FCN-Nación failed to account for more than Q4.38m (some US\$600,000) in campaign financing while Q2.33m of party funds came from anonymous sources. The party has since been fined Q4.38m by the electoral authorities and barred from carrying out political activities until it pays off the fine.

The CSJ also announced, however, that it was rejecting three other requests calling for President Morales to be stripped of his immunity and be subjected to investigation, submitted by local civil-society groups such as Acción Ciudadana, Fundación Myrna Mack, and #JusticiaYa, which staged the mass protests in 2015 instrumental in forcing Morales's predecessor, Otto Pérez Molina (2012-2015), to step down over his alleged involvement in corruption. These groups called for President Morales (whose brother and son have been accused of corruption in relation to another case) to be investigated for abuse of authority and obstruction of justice over his efforts to expel Velásquez.

A two-thirds majority vote in congress (105 votes) is needed to lift the president's immunity. While the FCN-Nación has the largest single bench in congress, this amounts to just 37 seats. However, commentators say that legislators might be sympathetic to President Morales given that other main parties, like the main opposition Unidad Nacional de la Esperanza (UNE) of former president Alvaro Colom (2008-2012), which has 32 legislative seats, have also been accused of campaign financing irregularities and so voting against Morales would likely place them under further scrutiny. Indicative of these other accusations, on 4 September, the CSJ announced that it had admitted a request, also filed by Cicig and the AG in line with the findings of their investigation into irregular campaign financing, to strip two sitting opposition deputies, Orlando Joaquín Blanco Lapola (UNE) and Roberto Ricardo Villate Villatoro of the now defunct Libertad Democrática Renovada (Líder) party, of their immunity from prosecution so that they can be investigated for corruption [[WR-17-34](#)].

This renewed focus on the lack of transparency surrounding electoral campaign financing – which in an earlier news conference, Velásquez described as the “original sin of Guatemala's democracy” and “the gateway to this vicious circle of corruption” – has again left activists like Helen Mack

### Another scandal

On 1 September, the United Nations (UN)-backed International Commission against Impunity in Guatemala (Cicig) announced that 28 people had been accused in relation to a corruption scandal first revealed mid-July involving a criminal network led by Alejandro Sinibaldi, a former head (2012-2014) of the communications, infrastructure, and housing ministry (Micivi). Cicig first announced the discovery of the network after 40 raids were carried out in the departments of Guatemala, Sacatepéquez, and Izabal. The investigation, which is divided into four components (business undertaken by Micivi, money laundering, illicit electoral finance, and obstructing justice), found that Sinibaldi – whose whereabouts are unknown – had allegedly created a series of shell companies to launder money that he collected in bribes from construction companies contracted by the Micivi, some of which was allegedly used to illegally finance the 2011 and 2015 electoral campaigns of the Partido Patriota.

of Fundación Myrna Mack and Alvaro Montenegro of #JusticiaYa calling for further reforms to the electoral law and the law on political parties (Lepp).

Promulgated by President Morales in May 2016, the first series of changes to the Lepp, which will be applied ahead of the 2019 general election, were criticised by civil-society groups for falling short on various counts. The reforms include allowing ex-pats living abroad to vote in presidential elections; strengthening transparency of political party financing; strengthening sanctions for the breaking of electoral rules; regulating electoral surveys; and prohibiting officials from campaigning during official events, among other things. However, it left out key civil-society demands like increasing the budget for the supreme electoral court (TSE); limiting the re-election of legislators; introducing quotas for political representation of women, indigenous and young people; and updating the electoral register.

### More officials jump ship

The crisis sparked by President Jimmy Morales' attempt to expel from the country Iván Velásquez, which he announced on 27 August, continues to have an impact on his government. On 2 September the presidential commissioner for human rights in Guatemala (Coprodeh), Víctor Hugo Godoy, and Abigail Alvarez Och, the deputy secretary of public policies at the presidential planning secretariat (Segeplan), became the latest government officials to announce that they were stepping down.

This followed Health Minister Lucrecia Hernández Mack, four deputy ministers and a commissioner of human development, local competitiveness & crucial infrastructure who all quit in protest on 27 August; while Foreign Minister Carlos Raúl Morales was reportedly sacked by the president for failing to execute the order regarding Velásquez.

Meanwhile President Morales's choice of new foreign minister, Sandra Erica Jovel Polanco, the former deputy foreign minister, has been controversial given that she has been accused of irregularities relating to the adoption of a child. Although on 28 August a judge announced the case would be dropped, the attorney general's office (AG) has since said that it will appeal this decision.

## PANAMA | POLITICS

### Panama's judiciary feels the heat

A recent ruling by Panama's supreme court (CSJ), which effectively shelve a major corruption case dating back to the previous Cambio Democrático (CD) government led by former president Ricardo Martinelli (2009-2014), is one of a number of reasons why Panama's institutions are being subjected to scrutiny over their anti-corruption efforts. It comes as the head of the attorney general's office (AG), Kenia Porcell, has publicly denounced "intimidation and threats" by the country's main "economic, political, business, media, and banking" interests in relation to five "emblematic" corruption cases. These include the case involving Brazilian engineering company Odebrecht, which implicates President Juan Carlos Varela [WR-17-32], who has given his public backing to Porcell and called on the CSJ president, José Ayú Prado, to address the "irregularities" in the judiciary.

On 30 August, the CSJ announced that it was shelving a case involving alleged irregularities surrounding contracts awarded in 2010 to Finmeccanica, Italy's state-run aerospace and defence conglomerate, for the purchase of radars, helicopters, and digital mapping services. It said that it had accepted appeals presented by a former public security minister, José Raúl Mulino (2010-2014), and his former deputy, Alejandro Garuz, who were among those being investigated. The two former officials had argued that there were procedural irregularities in their prosecution such as the fact that one of the anti-corruption prosecutors had exceeded the timeframe to conclude the investigation.

## Odebrecht

With 43 people charged, and former president Martinelli's sons - Luis Enrique and Ricardo Alberto - under investigation in relation to the Odebrecht case, on 30 August the 2014 CD presidential candidate, José Domingo Arias, was the latest to be detained in relation to the Odebrecht investigations.

Also serving to spark criticism, on 29 August Porcell gave a national TV address in which she denounced the threats which she said come amid 'historic efforts' to investigate corruption in the country. Porcell failed to provide details but these are widely considered to include the Odebrecht case, which made headlines in December 2016 amid reports that, as part of a regionwide government corruption scheme, over US\$59m in bribes was paid by Odebrecht to government officials to secure public works and infrastructure contracts in Panama in 2010-2014 (*see sidebar*).

Private sector lobbies such as the Cámara de Comercio, Industrias y Agricultura de Panamá (Cciap), and other civil-society groups came out in support of Porcell, who had already denounced threats back in May in relation to Odebrecht-related investigations. However, Porcell's failure to disclose the identities of those allegedly making the threats was controversial. In a statement issued on 31 August, the local branch of international anti-corruption NGO Transparency International (TI), Fundación para el Desarrollo de la Libertad Ciudadana, called on Porcell to provide information regarding those seeking to obstruct the AG investigations, which the TI local branch highlights is a crime.

### Martinelli to be extradited?

Amid the uproar caused by Panama's supreme court (CSJ)'s decision and the remarks by Attorney General Kenia Porcell, Panama's institutions are likely to be subject to further scrutiny after a US justice, Edwin Torres, ruled on 31 August that former president Ricardo Martinelli (2009-2014), who is wanted in Panama, can be extradited to face trial for wiretapping and corruption. This was in line with an October 2016 request submitted by the Juan Carlos Varela government in relation to charges which included claims that Martinelli had ordered the illegal spying on more than 150 people. Torres's decision was hailed by international anti-corruption NGO Transparency International (TI), which also called on Panama's CSJ "to expand the scope of the investigation to include dozens of corruption allegations linked to Martinelli's time as president". Martinelli has also been accused of irregularities in an agriculture irrigation project; in the purchase of grains for the Programa de Ayuda Nacional (PAN) social welfare fund; the issuance of over 350 illegal pardons to imprisoned political allies; and the alleged acceptance of bribes for the approval of a government contract with the German software company SAP. At the time of Martinelli's arrest, TI issued a press release estimating that at least US\$300m in public funds may have been lost due to corruption during his administration.

## TRACKING TRENDS

**REGION | OAS migration report.** Last month the Organization of American States (OAS) published a report on the causes of emigration, particularly to the US, from Central America's so-called 'Northern Triangle' (El Salvador, Guatemala, and Honduras). The key findings are that hunger and poverty are overwhelmingly responsible for pushing people out of these countries, more so than escaping violence, commonly thought to be the principal motivation.

Published on 23 August, the report found that, in 2016, 47% of households in the so-called 'dry corridor' of the Northern Triangle, where some of their members had migrated, were food insecure, a situation aggravated by drought conditions associated with the 'El Niño' climatic phenomenon. An OAS press release cites El Salvador's foreign minister, Hugo Martínez, as saying that the "impact of climate change is very drastic in the dry corridor and particularly in El Salvador. In 2015 alone we lost 470,000 tonnes of maize, and about 6,000 tonnes of beans". Guatemala's minister of food security & and nutrition, German González, also indicated that his country is suffering from the effects of climate change, highlighting damages caused by the El Niño phenomenon in the last five years. He said: "The rainfall deficit has caused damages and losses in the basic grain crops of the dry corridor farmers, and this situation affected the capacity of response and the nutritional security in the short and medium term".

The OAS report also found that 58% of the households interviewed spent more than two-thirds of their income on food, which shows a "high level of economic vulnerability", and that while "violence plays an important role as a trigger for migration in El Salvador, it is a less important cause in Guatemala and Honduras".



## POSTSCRIPT

### Quotes of the week

“We will say a prayer for Venezuela that it can have dialogue...for the stability of the country.”

*Pope Francis as his plane flew over Venezuela en route to Colombia, which he is scheduled to visit from 6-10 September.*

“The priority is to protect citizens, so during this period, kidnappings, attacks on oil pipelines and other hostilities against the civilian population will stop.”

*Colombia's President Juan Manuel Santos remarks on the bilateral ceasefire agreed between his government and the leadership of the Ejército de Liberación Nacional (ELN) guerrilla group.*

“The original sin of Guatemala's democracy,”

*Iván Velásquez, the director of the United Nations (UN)-backed International Commission against Impunity in Guatemala (Cicig) refers to illicit electoral campaign financing. The issue is back in the spotlight after the supreme court (CSJ) ruled that congress should vote on whether to strip President Jimmy Morales of his immunity from prosecution in order to be investigated as part of an illegal campaign financing case.*

### Floods impact agricultural heartland in Argentina

Heavy rains and floods in north central areas of Argentina have affected 25% of the country's agricultural producers and 26% of its cattle producers, according to a report prepared by the Confederación de Asociaciones Rurales de Buenos Aires y La Pampa (Carbap), the president of the local agricultural sector lobby group, Martín de Velazco, revealed.

Major flooding has affected some 5.5m hectares (ha) of agricultural lands in the provinces of La Pampa, Buenos Aires, Santa Fe, and Córdoba, while another 2.5m ha remain cut off. Noting that these provinces are where most of Argentina's large scale agricultural and ranching activity is concentrated, De Velazco said that the floods were impacting the cornerstone of Argentina's agro-industry including the production of maize, soya, wheat, and barley, as well as beef cattle and dairy production.

According to De Velazco, the situation is most critical in Buenos Aires province, where some 80,000 ha of wheat plantations have been lost and 66% of the province's cattle population (12m head, or 25% of Argentina's national cattle population) is in the flooded area. In addition, 60% of Buenos Aires province's milk production is also located in the affected area, leading De Velazco to warn that the situation in the province is desperate and that it will impact national agricultural production not just this year but also next year.

In fact, De Velazco has noted that national maize production, 25% of which is concentrated in the flooded area, could be the most affected as the plans to plant 1.47m ha with the crop will likely be undermined affecting next year's first harvest. Meanwhile the fact that 34% of Argentina's breeding cattle population is in the flooded area means that the floods will severely affect cattle production in 2018.

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