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CONTENTS

LEADER	1
Temer goes head-to-head with Bolsonaro in Brazil	
ANDEAN COUNTRIES	
COLOMBIA	3
ELN attack has electoral impact	
VENEZUELA	5
Falcón breaks ranks to oppose Maduro	
BRAZIL & SOUTHERN CONE	
PARAGUAY	7
Legal challenges shake up electoral contest	
URUGUAY	8
Vázquez in the spotlight over nepotism	
ARGENTINA-BOLIVIA	9
Health costs cool relations with Bolivia	
CHILE	10
Piñera makes gubernatorial appointments	
TRACKING TRENDS	
MEXICO & NAFTA	
MEXICO	12
No go for Peña Nieto-Trump meeting	
MEXICO	13
Anaya under fire	
TRACKING TRENDS	
CENTRAL AMERICA & CARIBBEAN	
COSTA RICA	14
Manoeuvring under way ahead of run-off	
TRACKING TRENDS	
POSTSCRIPT	16
Chile's Bachelet makes final foreign trip	
Quotes of the week	

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Temer goes head-to-head with Bolsonaro in Brazil

Brazil's President Michel Temer is armed with a new political strategy. Inspired by law-and-order presidential candidate Jair Bolsonaro from the Partido Social Liberal (PSL), Temer has decided to prioritise matters of national security. This week, he created a new public security ministry and elevated the role of Brazil's armed forces, which will lead the fight against organised crime.

The new public security ministry is President Temer's answer to the need for a more effective law enforcement strategy in Brazil. Designed to coordinate security efforts between Brazil's federal and state authorities, it will be led by the former defence minister Raul Jungmann. He takes charge of Brazil's police force and the national department of prisons, which were previously managed by Justice Minister Torquato Jardim.

Details about the centre-right government's specific security policies remain sparse. But it is clear that the military will play a central role, after it was charged with taking control of Rio de Janeiro state's security operations last week [[WR-18-07](#)].

Temer's security plan could weaken Bolsonaro's political campaign ahead of October's presidential elections. Previously, Bolsonaro was the only possible presidential contender to be running on a security platform, but now Temer has encroached on his territory, sparking rumours he may be preparing to run for re-election. Temer could also be looking to shore up support from members of the far right. Indeed, the idea of creating the security ministry came from the so-called "bullets caucus" to which Bolsonaro belongs in congress. Bolsonaro has since accused Temer of stealing his ideas.

In another nod to the far right, the Temer government is giving the military a more central role in public affairs. Replacing Jungmann, retired general Joaquim Silva e Luna takes the helm of the defence ministry. Another military man, Sérgio Etchegoyen, remains head of the secretary for institutional security, and army general Walter Souza Braga Netto was recently charged with overseeing security and intelligence operations in Rio de Janeiro state. Netto has described Rio de Janeiro as a "laboratory" for the whole of Brazil. Through the federal government's intervention to put the military in charge of security operations in the state, he aims to recover credibility in public security.

Appointing army officers to public positions has evoked memories of Brazil's military dictatorship (1964-1985), which Bolsonaro supports. The expanding role of the military is treated with suspicion by many Brazilians. But it comes at a time when support for democracy has slumped to just 43% in the country, according to the latest Latinobarómetro survey published in October.

Temer's new economic strategy

The focus on security acts as a smokescreen for less favourable news about the Brazilian economy. After the government shelved the pensions reform, Fitch Ratings lowered Brazil's sovereign debt rating from "BB" to "BB-", with a stable outlook. This means Brazil's next president will inherit a gaping fiscal deficit to support. To regain investor trust, President Temer has come up with 15 economic proposals. But given Temer's legislative support has already been eroded by a series of corruption scandals, only a few, including the privatisation of Eletrobras, the electric utilities company, are likely to go through.

Perhaps the biggest surprise is that, in addition to adopting similar policies to Bolsonaro, Temer has stolen his rival's thunder on social media (at least temporarily). It seems inconceivable that Brazil's least popular president could outsmart Bolsonaro, known for his viral tweets and biting comebacks. But, according to a study by local think tank Fundação Getúlio Vargas (FGV), the federal government's intervention in Rio de Janeiro between 15 and 21 February made mentions of Temer on Twitter go up to 349,634 times. Former president Lula da Silva (2003-2011) got 330,949 mentions, and Bolsonaro just 289,737.

Temer's popularity boost from the security measures could lift the ruling Movimento Democrático Brasileiro (MDB) after its image was damaged by a series of corruption scandals. But that logic only follows if the military strategy works. The MDB has not yet confirmed who, if anyone, will be representing the party in the presidential elections. It could be Temer, but Finance Minister Henrique Meirelles is also in the mix and can boast that he reduced Brazil's interest rates and helped restore the country to economic growth during his time in office.

Even if Temer does not seek re-election, he cannot afford to become a lame duck and needs to defend his political capital. Another possibility is that he could run for election in the federal congress. This would grant him immunity from prosecution ('foro privilegiado'), without which the two corruption proceedings launched against him last year could come back to haunt him.

Bolsonaro changes tack

Following this week's events, Bolsonaro has been forced to adapt his campaign strategy and branch out from just focusing on security. He is second in the latest electoral polls, but he has high rejection rates and would need to broaden his support base beyond the ultra-right to have a shot at the presidency. To attract more voters, Bolsonaro is in turn taking a leaf out of Temer's book by toning down his protectionist rhetoric. His economic policy adviser Paulo Guedes is encouraging him to move more to the political centre by adopting some pro-market policies. This includes privatising the "crown jewels", such as the state-owned oil company Petrobras and perhaps even reviving the pensions reform.

PT's defences breached

With the fate of Lula still up in the air, it is not clear who will represent the leftist Partido dos Trabalhadores (PT) in this year's elections. In case corruption charges prevent Lula from running, former defence minister Jaques Wagner was until recently seen as a possible 'Plan B' presidential candidate for the PT. But that possibility is looking more remote after Wagner was accused of receiving R\$82m (US\$25.2m) in kickbacks to build the Fonte Nova football stadium in Salvador, the capital of the north-eastern state of Bahia. The allegations, which Wagner denies, stem from a police investigation, 'Operation Red Card'.

Following this latest setback, the PT is struggling to come up with a cohesive electoral strategy. Another possible presidential substitute for Lula is former São Paulo mayor Fernando Haddad. He recently met with rival leftist candidate Ciro Gomes from the Partido Democrático Trabalhista (PDT) to discuss a possible alliance. Despite facing a backlash for betraying party loyalties, Haddad reportedly received Lula's blessing for the meeting behind closed doors. Haddad is not immune from corruption allegations either. He is under investigation for receiving illicit campaign funds in 2012 in the run-up to the municipal elections.

The final date that the PT can put forward Lula's candidacy is 15 August. Then Brazil's electoral court (TSE) will rule whether or not he can run by 17 September. If the TSE decides he cannot run, the PT will have 20 days to name an alternative candidate.

ELN attack has electoral impact**ELN attack**

The fatal attack in Norte de Santander took place just hours after the ELN offered a unilateral electoral ceasefire, and proposed a date for a fifth round of peace talks in Ecuador. This has now been scuppered. “There is not a single ELN leader in Colombia who can sleep easy,” the defence minister, Luis Carlos Villegas, said in the wake of what President Santos denounced as “a cowardly attack”.

At least five Colombian soldiers were killed on 27 February, and a further 10 injured, when Ejército de Liberación Nacional (ELN) guerrillas ambushed a military convoy. Just a day earlier the ELN had announced that it would declare a unilateral ceasefire for five days surrounding the 11 March congressional elections (9-13 March), leading President Juan Manuel Santos to say that this was “the type of gesture we have been asking for to renew [suspended peace] talks”. The roadside bomb detonated by ELN guerrillas in a rural area of Cúcuta near the Venezuelan border has put paid to that. The principal candidates ahead of May’s presidential elections said Santos should call time on the peace process with the ELN.

The military convoy was travelling along a road from Cúcuta to the municipality of Tibú in the north-eastern border department of Norte de Santander when an explosion overturned the first truck. The military pointed the finger at the ELN’s ‘Juan Fernando Porras Martínez’ front which operates in the area, claiming that the attackers melted across the border into Venezuela after detonating the bomb. This prompted former defence minister Juan Carlos Pinzón, who is running for the presidency, to lay the blame for the deaths squarely at the door of Venezuela’s President Nicolás Maduro.

“Everyone knows it but nobody is prepared to say it,” Pinzón said. “The Maduro regime protects the ELN.” Both President Santos and the military have in fact been saying just that. Only last week Santos backed the claims by the commander of the armed forces, General Alberto Mejía, who accused the Venezuelan government of complicity, and providing sanctuary to the ELN and logistics support [WR-18-07]. Pinzón intends to go further, publicly accusing Venezuela of “promoting terrorism against Colombia”, and promising to “work with other governments to bring down the Maduro regime”. Pinzón, however, is not a contender for the presidency, polling just 2%.

Pinzón might have been the most forthright in his criticism but all of the presidential candidates condemned the attack in no uncertain terms, and even Humberto de la Calle, the former head of the peace talks with the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Cuba, and now presidential candidate of Partido Liberal (PL), acknowledged that “there is no support for negotiating with the ELN”.

Left-wing hopefuls

De la Calle’s candidacy has not taken off, perhaps because he is too closely associated with a peace accord with the Farc which is far from universally popular. That is not to say that candidates in favour of peace are doing badly. The latest poll by the Centro Nacional de Consultoría (CNC) put Gustavo Petro, a former M-19 guerrilla, senator, and most recently (in a briefly interrupted term) mayor of Bogotá (2012-2015), out front on 22%.

Behind Petro in the CNC survey is Sergio Fajardo, a former mayor of the country’s second largest city Medellín (2004-2007) and governor of the north-western department of Antioquia (2012-2016), representing the left-of-centre Coalición Colombia alliance, on 16%. Fajardo announced on 28 February that his running mate would be Senator Claudia López, a member of the left-of-centre Alianza Verde (AV). López set aside her presidential ambitions late last year in order to back Fajardo. Both Petro and Fajardo will be hoping to benefit from voter disillusionment with established parties.

Petro

Ernesto Macías, a senate candidate for the right-wing Centro Democrático, dismissed the presidential candidacy of 'Timochenko' (Rodrigo Londoño Echeverri), the former maximum leader of the Farc, as "ridiculous" this week. Macías claimed that "the real aspirant for the Farc 'party' and of [Venezuela's President Nicolás] Maduro is Gustavo Petro; his discourse is identical to that of [former president Hugo] Chávez 18 years ago". Petro, while a proponent of peace, has been a fierce critic of the Farc over the years.

Right-wing aspirants

Petro was famously described by former president Alvaro Uribe (2002-2010) as a "terrorist in a suit" after he used his position in the senate to spearhead calls for parapolitics investigations when Uribe was at the peak of his powers without a credible rival. Petro's tenure as mayor of Bogotá, however, was not without controversy. He was accused by some of his supporters of displaying the authoritarian tendencies of Uribe. And he was briefly removed from office by the then-inspector general, Alejandro Ordóñez, for mismanagement, before being reinstated. Ordóñez, widely accused at the time of political bias, is now competing for the presidential candidacy of a right-wing coalition led by Uribe's Centro Democrático (CD).

Ordóñez only polled 2% in the CNC poll, well behind the CD's Iván Duque (15%) and Marta Lucía Ramírez, who represents a right-wing faction of the Partido Conservador (PC), on 6%. These three pre-candidates will take part in a public consultation process on the same day as the congressional elections on 11 March. This means that only one of them will be left in the race on 12 March which could catapult the victor to the head of the field.

Duque won the support of an important faction of the PC this week when he was endorsed by Luis Alfredo Ramos, a former mayor of Medellín and governor of Antioquia with considerable influence in the party. This is a clear blow to Ramírez as Ramos belongs to her party.

On the campaign trail this week, Duque made a point of discussing his economic proposals rather than focusing on peace, which polls suggest is not the voting public's overriding concern. Duque said that he would introduce a day without value added tax (VAT) once every two months in order to give a boost to formal trade. "This government has been terrible for consumers," Duque said, arguing that his proposal would seek to return some of the three percentage points added to VAT (bringing it to 19%) by the Santos administration in its late 2016 tax reform. Critics point out that this might discourage consumer spending on white goods and other big purchases at any other time of the year.

Centrist option

The other presidential candidate expected to move into contention in the coming weeks is Germán Vargas Lleras, who polled 8% in the CNC survey (which, it should be noted, was not nationwide but of 35 large cities from across the country). Vargas Lleras served as vice-president for much of Santos's second term (2014-2017), taking a much tougher line on the peace accord struck with the Farc.

Vargas Lleras will be banking on a major lift in the polls if his Cambio Radical (CR) picks up seats in the lower chamber of congress and senate on 11 March. A large congressional bench behind him would strengthen his image as a presidential candidate. The same goes for Duque, or Ramírez should she somehow manage to overhaul her internal rival.

It is still too early to attach real significance to the electoral polls. It is worth bearing in mind that Antanas Mockus stole an early march over Santos in 2010 but was reined in, and ended up more than 5m votes adrift. But the polls are already indicating the difficulty of assigning support to a given candidate based on party backing. A poll by *Invamer* earlier this month for the weekly current affairs magazine *Semana*, for instance, showed that more supporters of the left-wing Polo Democrático Alternativo (PDA) favoured voting for Petro, who formerly belonged to the party, than Fajardo. Both the PDA and AV form part of Fajardo's Coalición Colombia alliance.

Narcojet scandal
Colombian authorities have arrested three people and dismantled a network that sent half a tonne of cocaine aboard a private jet from Bogotá to Farnborough airport in the UK, destined for London, in January this year. The drugs were confiscated at the airport and the five European traffickers arrested on arrival.

Escobar back in the news

Colombia's former drug lord Pablo Escobar, the head of the Medellín drug cartel, grabbed headlines again last week. Firstly, Retired Colonel Hugo Aguilar, the supercop who led the operation that finally led to Escobar being gunned down in 1993, was arrested on 21 February. Aguilar stands accused of money laundering and illicit enrichment, using cash from the Bloque Central Bolívar (BCB), a disbanded paramilitary front within the now-disbanded Autodefensas Unidas de Colombia (AUC).

Aguilar was sentenced to nine years in prison in 2011 for links to the BCB, whose financial clout was deemed to be instrumental to his successful electoral campaign to the governorship of the department of Santander in 2003.

In the event Aguilar served just four years in jail. When Aguilar was released, he claimed to have no money to pay the fine of Col\$6.3bn (US\$2.19m), imposed by the supreme court, as compensation to victims of the AUC. But a new investigation into Aguilar began last year after he was spotted driving a luxury Porsche about town.

A former member of the AUC supplied the public prosecutor in the case with a list of property in the names of third parties that belonged to him worth at least Col\$15bn (US\$5.2m). The prosecutor's office confiscated, as a precautionary measure, 33 properties believed to belong to Aguilar and close associates. He was accused of "commercial triangulations with members of his family circle and third parties, with whom he tried to legalise and conceal resources obtained from his relationship with the demobilised Bloque Central Bolívar".

Aguilar's arrest coincided with a separate incident involving Escobar's former chief hitman 'Popeye' (Jhon Jairo Velásquez Vásquez), who was last week stripped of 16 luxury properties worth at least Col\$6.2bn, which he had successfully concealed from the authorities since the 1990s. Popeye was sentenced to 20 years in jail for his role in the Medellín cartel but recovered his freedom four years ago. He claimed to have spent everything he was given by Escobar at the time for fear of dying at any moment.

A judge in Medellín who ordered the confiscation of the property ruled that it had all been acquired as the fruit of ill-gotten gains from drug trafficking. A prosecutor demonstrated that the properties held in the names of Popeye's mother and one of his sisters came from him.

VENEZUELA | POLITICS

Falcón breaks ranks to oppose Maduro

Henri Falcón registered his candidacy by the deadline of 27 February to compete in presidential elections brought forward by the government led by President Nicolás Maduro. Other members of the opposition coalition Mesa de la Unidad Democrática (MUD) blasted Falcón for opting to participate in the elections which it had condemned as "a fraudulent show" and determined to boycott. Maduro himself does not appear to have been best pleased either. He had clearly hoped that the MUD would relent at the eleventh-hour and take part in the elections to grant them credibility. By himself, Falcón, a former Chavista, does not succeed in doing that. This explains why his government is in secret talks with other parties in the MUD about the elections.

Falcón said that he had decided to run in the presidential elections to give an option to the millions of Venezuelans who want political change. Falcón, who was the running mate of the MUD's Henrique Capriles Radonski in the 2012 presidential elections, maintained that a united opposition would win. Dismissing President Maduro as "the candidate of hunger", he promised "a government of national unity" to escape "permanent poverty...and the threat of fratricidal war".

Falcón was always a bit of an outsider in the MUD, viewed with distrust by many for having defected from Chavismo eight years ago, and was not favourite to secure the MUD presidential candidacy if the coalition had

Presidential debate

President Maduro announced on 23 February that he would hold a presidential debate with his rivals which, if it takes place, would be the first in Venezuela since 1983. Maduro visited the tomb of former president Hugo Chávez (1999-2013) before being driven in a red Jeep by the government strongman, Diosdado Cabello, to register his candidacy. "I'm going to start a new economy that will satisfy the needs of the people," Maduro said, after dancing reggaeton with his wife Cilia Flores. In confirming its support for Maduro, the Partido Comunista de Venezuela (PCV) called for "the nationalisation of the financial and banking sector, and industry and commerce", as a way of "escaping the crisis".

been able to hold primary elections as originally conceived. Falcón has sought to attract the more moderate factions on both sides of the polarised political spectrum.

Falcón, the former governor of his home state of Lara, will be the presidential candidate of his party, Avanzada Progresista (AP), as well as the traditional Comité de Organización Política Electoral Independiente (Copei) and Movimiento al Socialismo (MAS). Like the MUD, Falcón also called for the date of the presidential elections to be moved back from 22 April, and threatened to pull out "halfway through the process" if various conditions were not met, such as "impartial and complete" electoral observation by the United Nations, and "a balanced national electoral council [CNE]".

The MUD tweeted its rejection of Falcón's "unilateral" decision for fear that it might validate an electoral farce. But Maduro seems concerned that the participation of Falcón (who lost heavily when running for governor of Lara last October) is not sufficient to validate the elections, and secret talks are apparently underway with other parties within the MUD to persuade them to take part. To some extent the government's willingness to push presidential elections back, possibly to June, also owes to an announcement by the head of the CNE, Tibisay Lucena, on 23 February. Lucena said that the CNE would be unable to organise legislative elections, which the government wanted to bring forward from the end of 2020, to be held at the same time as the presidential elections, although she added that they could be held shortly afterwards.

The MUD released a statement on 22 February describing the proposal to bring forward the legislative elections as a "coup d'état" as the constitution makes it clear that elected deputies serve for five years and the previous elections to the national assembly, where the opposition has a majority, were held in 2015.

In addition to Falcón, several other former Chavistas registered their presidential candidacies before the CNE. Reinaldo Quijada, an engineer who says he opposes Maduro but defends the "revolutionary process", was the first to formalise his candidacy. Quijada insisted that his party was not part of the political opposition as claimed by the government. "This needs to be emphasised: certainly we are in opposition to this government of President Maduro, certainly we are in opposition to the [ruling Partido Socialista Unido de Venezuela] PSUV, but we are not in opposition to the revolutionary process...which has been perverted and distorted".

Other former Chavistas to register their candidacies were Francisco Visconti, a retired general who participated in the failed coup attempt of Hugo Chávez in 1992; a former businessman, Alejandro Ratti; and evangelical priest Javier Bertucci. None of them have much of a chance against the vast institutional and social control of the Maduro administration.

Regional and international reaction

An outright majority of 19 countries in the Organization of American States (OAS) voted on 23 February to reject presidential elections in Venezuela under existing conditions, and called for new free and fair elections. Venezuela's ambassador to the OAS, Samuel Moncada, said the vote constituted "aggression from a group of states wanting to lecture Venezuela", accusing the US of leading pressure against the country.

The OAS vote had political ramifications in Uruguay, which backed it. In a statement criticising Uruguay's government, the Movimiento de Liberación Nacional-Tupamaros (MLN-T) and Partido Comunista de Uruguay (PCU), radical factions in the ruling left-wing Frente Amplio (FA) coalition, described the vote as "an attack on Venezuela's sovereignty", which would foment violence "irresponsibly". Foreign Minister Rodolfo Nin Novoa denied that the OAS resolution constituted "intervention", saying it was rather "an appeal" to the Venezuelan government. He pointedly added that "nobody who is progressive and left-wing can feel represented by presidents [who make decisions] like Maduro".

Double-edged electoral tactic?

The Paraguayan press is speculating that the opposition's appeal against the TSJE's ruling on the questioned ANR-PC candidacies could serve its purpose even if it fails. To become active legislators, elected candidates must be sworn-in before a quorate legislature. If not, they cannot formally take up a seat. This is what happened to former president Nicanor Duarte in 2008, when he tried to take up a seat as an active senator after winning election, only for the opposition to refuse to provide a quorum for him to do so. The speculation is that if the appeal ultimately fails the opposition will call on the electorate not to give the ANR-PC a decisive majority in congress to prevent irregular candidates from swearing-in.

BRAZIL & SOUTHERN CONE

PARAGUAY | POLITICS & JUSTICE

Legal challenges shake up electoral contest

The official campaigning period ahead of Paraguay's 22 April presidential and congressional elections has yet to begin, but the political opposition has already presented legal challenges against two prominent candidates from the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC). The handling of these challenges, which look set to be heard by the supreme court (CSJ), may significantly impact the campaign by providing a major boost to either the opposition or the ANR-PC.

The challenges presented by the opposition electoral alliance comprising the Partido Liberal Radical Auténtico (PLRA) and the left-wing Frente Guasú (FG) coalition affect President Horacio Cartes, Vice President Juan Afara, and former president Nicanor Duarte Frutos (2003-2008). All three are included in the ANR-PC's list of senatorial candidates. The objection against their candidacies is based on constitutional grounds. Paraguay's 1992 constitution (Art. 237) stipulates that the president and vice president may not exercise any other public or private offices, remunerated or not, while in office and must exclusively dedicate themselves to their functions. The opposition argues that this means that neither Cartes nor Afara can be candidates (unless they resign), as they are not allowed to campaign.

Separately, the constitution (Art. 189) also stipulates that former presidents automatically become lifetime senators (who have a voice in the senate but not a vote) once their term concludes. The only exception to this to-date has been the case of FG leader and impeached former president Fernando Lugo (2008-2012), who successfully argued before the courts following his impeachment that since he had not finished his term he should be allowed to stand for election to the senate in 2013, when he won election. The opposition argues that this impediment not only affects Cartes and Afara but also Duarte, who should not be able to seek election for an active seat in the senate while serving as a lifetime senator.

However, on 16 February the supreme electoral court (TSJE) controversially dismissed the challenges filed by the opposition against the three ANR-PC candidates in a final ruling. The TSJE (dubiously) said that its decision was based on procedural grounds. But the ruling has been rejected by the opposition which has accused the three TSJE justices on the panel of being politically biased towards the ANR-PC. As such, on 27 February FG announced that it had filed an appeal against the TSJE ruling before the CSJ. The PLRA has said that it will file its own separate appeal in the coming days. The party president of FG, Carlos Filizzola, said that he hoped that, unlike the TSJE, the CSJ would uphold the constitution.

But Filizzola also noted that FG has already sent a complaint to the Organization of American States (OAS) in case its appeal is also thrown out by the CSJ. Filizzola said that FG was prepared to take the matter to other international forums such as the United Nations if necessary. The opposition and the ANR-PC are nervously awaiting the CSJ's ruling, aware that it could provide a major boon or a major blow one way or the other.

The ANR-PC is still trying to heal the rifts between Cartes supporters (Cartistas) and detractors (anti-Cartistas) following the party primaries. If Cartes, Afara, and Duarte are not allowed to run, then this rift will once again resurface and undermine the ANR-PC's campaign to the benefit of the opposition. But if the three candidates are cleared to run, it would consolidate the ANR-PC's campaign and provide a blow to the opposition.

Vázquez in the spotlight over nepotism**Riling the****'autoconvocados'**

Besides the nepotism allegations, President Vázquez has also faced renewed criticism from the so-called 'autoconvocados' independent agricultural producers protest movement this week. Following the staging of various mass protests by the autoconvocados in demand of increased government assistance for the sector, Vázquez said that he would provide a detailed response to the protest movement. This came in the form of a mandatory nationally televised broadcast in which a journalist outlined all the policies adopted by the Vázquez administration in recent years in support of the agricultural sector. The autoconvocados were incensed by this, accusing the Vázquez government of being delusional and treating their demands with disdain.

President Tabaré Vázquez has come under intense public scrutiny over allegations that he may have engaged in nepotism. These allegations may not amount to wrongdoing. But they could prove to be damaging for Vázquez given that they come amid a series of other more serious nepotism and corruption cases affecting other public officials. These cases have been condemned by Vázquez, who has even dismissed some of those implicated. The allegations against Vázquez not only risk making him look like a hypocrite but also tarnish his image and that of the ruling left-wing Frente Amplio (FA) coalition, ahead of general elections next year.

Since the start of the year there has been a steady stream of corruption and nepotism allegations levelled against officials in different levels of government. Those affected include mayors, departmental governors, central government officials, and bosses at state-owned firms both from the FA and the political opposition. However, the accusations affecting the vice president of the national health services administration (ASSE) produced widespread public outrage. This after the local press revealed that Mauricio Arduz had hired his son's 18-year-old girlfriend as his personal secretary on an inflated salary of Ur\$57,000 (US\$1,900) a month. The authorities were already investigating allegations of irregularities and mismanagement at ASSE so the revelations implicating Arduz hit a nerve.

This prompted President Vázquez to take decisive action, and on 14 February he ordered the dismissal of the entire ASSE board including Arduz and his boss, Susana Muñiz, so that they could be subjected to a full investigation. The ASSE board is made up of mainly political appointees and Vázquez's decision upset some sectors of the FA. The Partido Comunista de Uruguay (PCU) in particular complained that Muñiz, a member of the party, was being made to pay for the actions of Arduz, an affiliate of Vázquez's Partido Socialista (PS). But Vázquez's attempt to show that government corruption will not be tolerated and that he is determined to combat it received widespread backing by the public, including the political opposition.

Any political credit that Vázquez may have gained appeared to dissipate a few days later. On 25 February, local daily *El Observador* published a report revealing that relatives of other public officials are also employed by the government despite the existence of anti-nepotism legislation dating back to 2003, which prohibits relatives of public officials within a second degree of kinship or affinity from holding government jobs. The report highlighted the case of Enrique Estévez, the father of one Cynthia Estévez, who happens to be married to Vázquez's eldest son, Alvaro. It noted that Enrique Estévez was hired by the presidential office's security detail after Vázquez assumed office for a second time in March 2015.

El Observador was careful to point out that Estévez's case does not technically violate the existing anti-nepotism legislation (he is not directly related to Vázquez), but it argued that it sets a bad example and does not discourage nepotism. Vázquez's reaction was to ask the government's ethics and transparency board (Jutep), which in response to the string of nepotism cases issued a statement recommending that public officials should not hire relatives to avoid contravening anti-nepotism safeguards, to determine whether any rules had been broken in the hiring of Estévez. Vázquez was adamant that if Jutep does find the case to be problematic, then he would not hesitate to dismiss Estévez. However, this may not be enough for Vázquez and the FA to save face, with the opposition in congress now demanding a full explanation.

Health costs cool relations with Bolivia

An Argentine suggestion of reciprocity covering the health costs incurred by Argentine citizens in Bolivia, and by Bolivian citizens in Argentina, was initially rejected by La Paz, but is now likely to go ahead. The whole issue of migrant's access to health and education services has become politically sensitive: the Argentine government led by President Mauricio Macri says it is eager to introduce new legislation.

Argentina has traditionally had an open-door policy on inward bound migrants, but public sentiment has recently swung in a more restrictive direction. According to census data from 2010, 4.6% of the population is foreign-born. This included 550,000 Paraguayans, 345,000 Bolivians, 191,000 Chileans, and 157,000 Peruvians.

Once inside the country foreign-born residents have the right to access social services free at the point of delivery. Some Argentines argue that migrants are a drain on resources. Last year the Macri administration said that 35% of the prison population was foreign born, and it introduced legislative changes to make it easier to deport foreigners with a criminal record.

In terms of public health costs, Argentina does not typically charge foreigners for hospital procedures. The costs are usually born out of general provincial level budgets. Provinces like Jujuy and Salta, on the Bolivian border, say this is now becoming financially onerous.

While Bolivians get free treatment in Argentina, Argentine residents in Bolivia have to pay their own hospital bills. According to press reports in Buenos Aires, back in October Argentina had formally requested that the two countries sign a health agreement providing for financial reciprocity, but this was initially turned down.

There is a significant political undertone: Bolivia's long-serving president, Evo Morales, a 'pink tide' leftist, felt much more comfortable with Cristina Fernández, his like-minded Argentine opposite number, who was in office between 2007 and 2015. There is significantly less rapport between him and the centre-right Macri.

Despite the frostier relations between the two heads of state, this week Morales changed tack and signalled that Bolivia would, after all, accept a reciprocal arrangement. In a speech he said "My Argentine brother is right to say we should offer the same conditions to Argentines living in Bolivia". From the Bolivian point of view that still makes economic sense, as there are many more Bolivians living in Argentina than Argentines living in Bolivia.

Salta and Jujuy, along with other provinces on Argentina's borders, have been examining the whole issue. There have been suggestions that a degree of health tourism is involved, with some foreigners crossing into Argentina when pregnant or in need of transplant treatment. Some officials were surprised to find earlier this year that Argentines crossing into Chile for the official visit by Pope Francis were charged an obligatory health insurance levy (amounting to around US\$10 per vehicle).

The governor of Jujuy, Gerardo Morales, a member of the Unión Cívica Radical (UCR), which forms part of the ruling centre-right Cambiemos coalition, and a close ally of Macri, has claimed that in some cases the Bolivian and Chilean authorities have refused to allow Argentine visitors to return home until they settle hospital bills. In other cases, Argentine consulates have been asked for payment guarantees.

Health charges

The provincial health minister of Jujuy, Gustavo Bouhid, has said that the cost of transplants or other complex procedures carried out in local hospitals for Bolivian citizens should be paid for by the Bolivian government or, failing that, by the patients themselves. He suggested there might be a flat charge of US\$20-US\$30 per procedure.

Immigration

Argentina is still far from emulating US President Donald Trump's hard line on immigrants, but there has been a perceptible shift in that direction. A recent survey conducted by the Universidad Argentina de la Empresa (UADE), a private university in the capital, showed that 70% of respondents believe immigrants should gain free access to public health and education services, but a potentially significant 30% were against the idea (rising to nearly 50% in Greater Buenos Aires).

The Macri administration says it will support national framework legislation on the issue that can be adopted by the provincial legislatures. Luis Petri, a deputy for the UCR from the province of Mendoza, this week submitted a draft in the federal congress that proposes reciprocity agreements with neighbouring countries; if these cannot be reached, foreigners will be asked to pay at the point of delivery.

Some deputies are already arguing that the same approach should be applied to education. This could have significant cross-party appeal. Miguel Pichetto, the leader of the main opposition Partido Justicialista (PJ, Peronists) bloc in the federal senate, said "Latin American countries should guarantee reciprocity for Argentina in health and education services, just as we provide those services to their citizens in this country".

CHILE | POLITICS

Piñera makes gubernatorial appointments

Chile's President-elect Sebastián Piñera, who is due to assume office on 11 March, continued with the process of forming his government by appointing regional governors (*intendentes*) for the country's soon to be 16 regions (*see sidebar*) on 26 February. As with his announced ministerial cabinet, Piñera has tried to maintain political and gender balance with his gubernatorial appointments. However, it is not clear if the appointments will satisfy all quarters of the centre-right Chile Vamos coalition that backed his candidacy.

Chile Vamos is composed of the right-wing Unión Demócrata Independiente (UDI), the senior partner in the coalition; Piñera's centrist Renovación Nacional (RN), the second largest partner; and the small right-of-centre Partido Evolución Política (Evópoli). Piñera will have to try to keep all of these parties happy if he wants to retain the full support of the coalition. That this is his aim is evident in his ministerial appointments [\[WR-18-04\]](#), which while dominated by technocrats are roughly equally divided among the three Chile Vamos parties. But in an apparent bid to appease any lingering discontent over the cabinet appointments among Chile Vamos members, Piñera almost exclusively appointed politicians to the governorships. Moreover, these have been largely divided between the UDI (which got five governorships) and RN (which also got five), independents (four), and Evópoli (two).

Piñera has also succeeded in maintaining gender balance by appointing five female governors, or 31.25% of the total, similar to the proportion of women he appointed to the cabinet (30.4%). But while some gubernatorial appointments look like consolation prizes for the Chile Vamos parties, others have apparently caused friction.

Among the apparent sops to the coalition parties are the appointment of the UDI's Jorge Ulloa, who lost his re-election bid to the national chamber of deputies in last year's general election, as governor of Bío Bío Region; the appointment of the RN's Berta Torres, the former governor of the Huasco province in the northern Atacama Region, as the governor of Atacama; and the appointment of Evópoli's Geoconda Navarrete, who lost her bid for a seat in the chamber of deputies last year, as the new governor of Aysén region.

Yet it was the appointment of Karla Rubilar to the coveted post of governor of the Santiago Metropolitan Region that grabbed all the attention and appears to have ruffled some feathers. This is the country's most populous region and administering it is seen as big prize not least because gubernatorial seats will be popularly elected from 2020.

Ñuble Region

Following the approval of new legislation in 2017, the until now province of Ñuble, part of the Bío Bío Region, is set to become Chile's 16th administrative region on 6 September 2018. As part of the transition into a region, Ñuble, which is comprised of three provinces, is currently run by a presidentially appointed delegate, who to all intents and purposes acts as its governor. The person chosen by President Piñera to fulfil this role and lead Ñuble's transition into a fully fledged region (and become its first governor once this process is completed) is Martín Arrau, an independent politician with close ties to the UDI.

Both the UDI and RN vied to secure the Santiago Metropolitan Region seat. So Piñera's decision to opt for the former RN national deputy but now independent Rubilar surprised many. Other appointments, such as that of controversial former agriculture minister Luis Mayol (2011-2014), as the governor of the troubled La Araucanía Region, also raised eyebrows. Piñera will be hoping that these new governors prove to be up to the task or else he may face discontent within Chile Vamos.

TRACKING TRENDS

ARGENTINA | Construction drives growth. Argentina's economic activity expanded by 2.8% in 2017, according to a report released by the national statistics institute (Indec). This is a provisional figure before the release of the full GDP growth breakdown. The government led by President Mauricio Macri had hoped GDP growth would reach 3% last year.

Economic activity was propelled by the construction sector which expanded by 12.7% in 2017, Indec reported. Construction activity remains encouraging. It expanded by 19% year-on-year in January, according to Indec. Employment in the construction sector also increased by 11.4% year-on-year in December 2017.

The positive figures buttress the claims by the Macri administration that the economy has turned a corner, and that construction could help to drive GDP growth in 2018. Indec reported that GDP growth in the third quarter of 2017 stood at 4.2% year-on-year, and was also up by 0.9% on the second quarter.

BRAZIL | JBS shares fall. Shares in meatpacking company JBS fell this week after Brazil's attorney general's office (PGR) rescinded a plea bargaining agreement with the company's former CEO Wesley Batista. He is accused of intentionally omitting important information from his testimonies. The case now passes to the supreme court (STF). Prosecutors could level more penalties against Wesley or JBS. Last week, Wesley was released from jail and placed under house arrest. He is still under investigation for insider trading, stock exchange fraud, and corruption.

BRAZIL | Environmental damage. On 28 February, Brazil's environmental regulator Ibama fined Norwegian aluminum manufacturer Norsk Hydro R\$20m (US\$6.2m) for operating without a dredging licence and for a possible waste spill at the company's Hydro Alunorte refinery in the industrial park Barcarena in the northern Amazonian state of Pará. After a period of heavy rain, the water by the Hydro Alunorte residue dam turned red and is believed to be contaminated with bauxite.

Brazil's environment minister, José Sarney Filho, had called on Ibama to investigate the company, which denies knowledge of the pollution and says it is not responsible for any spill.

The environmental spat has heightened diplomatic tensions between Brazil and Norway. Norsk Hydro is 41% owned by the Norwegian state. Last year, Norway sharply criticised Brazil's environmental policies and reduced its funding to protect the Amazon rainforest after the country failed to meet its deforestation targets. Now, Sarney Filho has turned the tables and questioned Norway's commitment to environmental conservation in Brazil.

"We are not close to a new Mariana [referring to the November 2015 environmental disaster at the Samarco mine, when a tailings dam burst killing 19 people], but this spill is serious and comes from a company that belongs to the Norwegian government, a company that should have responsibilities, especially in the Amazon," Sarney Filho said.

Separately, executives at the Brazilian mining company Vale said on 28 February that the Samarco mine, a joint venture with Australia's BHP Billiton, could resume operations by the end of this year or early in 2019.

No go for Peña Nieto-Trump meeting

At a time when bilateral negotiations on the North American Free Trade Agreement (Nafta) and other topics are at a complex and tricky stage, Presidents Enrique Peña Nieto of Mexico and Donald Trump of the US have again been unable to agree on a face-to-face meeting.

There had been widespread indications that both governments had agreed to a face-to-face meeting between the two heads of state, and were working on setting a date. But the story then changed: the meeting was definitely off, following a 50-minute telephone call between the two men on 20 February. According to the *Washington Post* the conversation reached an impasse over a familiar subject: Trump's insistence on building a border wall that Mexico must pay for. The newspaper said Trump "lost his temper", while a White House official said he was "exasperated".

An official Mexican statement said only that during the conversation both leaders "reiterated their commitment to advance the bilateral agenda in terms of security, commerce, and migration, through the coordinated forces of their working groups". An unofficial Mexican view came from columnist Raymundo Riva Palacio, of Monterrey-based newspaper *El Horizonte*, who said the Mexican side ruled out a meeting because of Trump's "volatility" and a "lack of certainty about his commitments and actions".

While the mood music at the top is not good, a lot is happening in bilateral relations. The seventh round of Canada-Mexico-US trilateral negotiations on Nafta is in progress in Mexico City (running from 25 February to 5 March). Optimists say the aim of this round is to resolve the technical chapters so as to clear the path for a hoped-for breakthrough on the more contentious issues including rules of origin in the automobile industry. A key US auto sector negotiator flew back to Washington from the Mexico talks for consultations with car companies, taken by some as a sign of possible progress.

Pessimists also noted sharp disagreements between the US and Canadian negotiators. And they pointed to another rapid trip – by Mexico's economy minister Ildefonso Guajardo, to meet US commerce secretary Wilbur Ross, also in Washington, as a source of concern. The meeting was to discuss US plans to increase tariffs, and possibly impose quotas, on imports of steel and aluminium, which would have a big and negative impact on Mexico.

Separately, Mexico is watching Trump's attempt to close down the Deferred Action for Childhood Arrivals (Daca) programme. This protects an estimated 700,000 young undocumented migrants, including many of Mexican origin, from deportation (*see sidebar*).

Looming over both Trump and Peña Nieto are electoral imperatives. Trump faces mid-term congressional elections in November. Peña Nieto's ruling Partido Revolucionario Institucional (PRI) faces presidential and congressional elections on 1 July. Both leaders want to be able to claim progress, in line with the narratives they have used with their key electoral constituencies. What is not yet clear is whether, in the end, this will be a zero-sum game, or whether win-win outcomes are possible. If it is a zero-sum game, an electoral 'win' on one side of the border will imply a forced 'loss' on the other. It does, however, seem increasingly likely that the Nafta renegotiation will continue past the planned April end-date and, quite possibly, Mexico's elections.

Daca

Although President Trump ordered the Deferred Action for Childhood Arrivals (Daca) programme to be shut down last September, the decision is subject to legal challenge and the US Congress may make further modifications.

Anaya fights allegations

Ricardo Anaya's electoral coalition has rallied behind him for now, although if the corruption allegations against him deepen it would exacerbate internal divisions. Federal deputies representing the three parties in the electoral coalition are preparing to present an impeachment motion in the lower chamber of congress against the acting attorney general, Alberto Elías Beltrán, for using his office to slander Anaya. "Elías Beltrán has become the head of the PRI's dirty war," deputies in Por México al Frente claimed in a statement. Andrés Manuel López Obrador, meanwhile, said this week that Anaya was tarnished by corruption and should step aside.

Anaya under fire

Ricardo Anaya, the presidential candidate for the right-to-left alliance Por México al Frente, currently running in second place in the opinion polls, is facing increasingly intense allegations of corruption. Specifically, Anaya is being accused of impropriety over the sale of a family-owned industrial park in Querétaro for M\$54m (US\$2.9m). The federal attorney general's office (PGR) says it is investigating allegations of money laundering connected to the operation. But many analysts suspect the allegations could be part of a 'dirty tricks' campaign.

Anaya has recently strengthened his lead over José Antonio Meade, the presidential candidate for the centrist alliance led by the ruling Partido Revolucionario Institucional (PRI). He has done this in part by accusing the government of failing to fight corruption, and promising to tackle the scourge head-on if he is elected.

Both Anaya and Meade trail behind left-wing populist Andrés Manuel López Obrador in the opinion polls. There is a strong chance that the ultimate electoral contest will narrow down to a two-way race between López Obrador and either Anaya or Meade. The anti-López Obrador electorate will have to choose between them. If this is the case, it explains why the battle between the second and third placed candidates has turned nasty. Certainly the PGR has shown an uncharacteristic speed in mounting its investigation (*see sidebar*).

Meade, meanwhile, has drafted in two bigwigs within the PRI to bolster his flagging candidacy. Miguel Ángel Osorio Chong, who resigned in January this year as the interior minister in order to seek a senate seat, and Manlio Fabio Beltrones, a veteran powerbroker and former president of the PRI, will both now play instrumental roles in the upcoming campaign. Osorio Chong will be tasked with galvanising the PRI party faithful. He was overlooked for the presidential candidacy despite overwhelming support within the PRI.

While Osorio Chong will primarily coordinate the campaign of the PRI senate candidates, Beltrones will manage the party's presidential campaign in seven states where it has been losing ground to the opposition: Baja California Sur, Chihuahua, Durango, Jalisco, Nayarit, Sinaloa, and Sonora. Otniel García, a PRI federal deputy representing Durango, defected to López Obrador's left-wing Movimiento Regeneración Nacional (Morena) just last week [[WR-18-07](#)].

TRACKING TRENDS

MEXICO | Economy slows. Mexico's economy expanded by 2% in 2017 compared with the previous year, according to the national statistics institute (Inegi). The figure is down from the 2.9% GDP growth registered in 2016 (and the lowest since 2013), reflecting a more challenging external context, particularly the renegotiation of the North American Free Trade Agreement (Nafta). The international ratings agency Moody's reported last week that uncertainty surrounding Nafta, especially the fact that talks look like dragging on beyond Mexico's presidential elections on 1 July, would further impact GDP growth in 2018.

The primary (agricultural) sector expanded by 3.3% year-on-year in 2017, and the tertiary (services) sector by 3%. The secondary (manufacturing) sector, however, contracted by 0.6%. The annual figure was brought down by fourth-quarter growth of just 1.5% in real terms. Agricultural activities grew by 4.2% and the services sector by 2.4% in the final quarter but the manufacturing sector contracted by 1%.

Rise in anti-LGBTI violence

With one of the surprise electoral issues that of LGBTI marriage, human rights groups in Costa Rica are warning of a rise in attacks targeting the community following the election. On 14 February, the Costa Rican ombudsman issued a statement warning that the atmosphere in the country had become “deeply polarised” with regard to the issue. A week later, a civil-society group, Frente por los Derechos Iguales (FDI), complained that the political campaigning ahead of the second round had been marked by an increase in such attacks. FDI spokesperson Michelle Jones told Spanish newswire *Efe* that there were at least 26 cases of individuals who had suffered physical and verbal aggressions. Prior to the electoral process such cases were rare.

CENTRAL AMERICA & CARIBBEAN

COSTA RICA | POLITICS

Manoeuvring under way ahead of run-off

The first opinion surveys released since the first round of presidential elections on 4 February show a dead heat between the evangelical pastor Fabricio Alvarado Muñoz, of the small conservative Restauración Nacional (RN), and Carlos Alvarado Quesada, of the ruling centre-left Partido Acción Ciudadana (PAC), ahead of the run-off on 1 April. Both men have been courting other political parties with mixed results.

The most recent poll by the centre for research and policy studies (Ciep) at the Universidad de Costa Rica (UCR) showed Alvarado Muñoz on 45% and Alvarado Quesada on 42% (within the 3.6% error margin). In the first round Alvarado Muñoz took 24.91% on the final count to 21.66% for the PAC candidate.

Compounding uncertainty ahead of the run-off, the parties of the third and fourth placed candidates, Antonio Alvarez of the main opposition Partido de Liberación Nacional (PLN) and Rodolfo Piza of the Partido Unidad Social Cristiana (PUSC) - who received 18.62% and 16.02% respectively in the first round, have failed to endorse either of the Alvarados. Their parties have both said that members are free to choose the candidate that they think will best serve the national interest.

Smaller parties have been more forthcoming: the two other evangelical parties in the 57-member unicameral legislature – Partido de Renovación Costarricense (PRC) and Alianza Demócrata Cristiana (ADC), which received 0.59% apiece in the first round - have unsurprisingly come out in strong support for Alvarado Muñoz whose last-minute surge in support in the final stages of the campaign was directly linked to the recent Inter-American Court of Human Rights [Corte-IDH] ruling on gay marriage [[WR-18-04](#)]. Meanwhile, the leftist Frente Amplio (which took 0.79% in the first round) has pledged support for the PAC candidate. Given that these parties accounted for less than 5% of the vote in the first round, these endorsements do little to help predict the outcome of the run-off.

Voter concerns

The Ciep poll also revealed voter concerns ahead of the run-off. It showed that unemployment (which was 9.3% in the final quarter of 2017, unchanging since the same quarter in 2016) remains the chief voter concern, cited as such by 22% of respondents. This was followed by the fiscal situation (17%) – see box, the cost of living (15%), insecurity & violence (14%), and corruption (11%).

As regards the different proposals put forward by the two run-off candidates to address unemployment, Alvarado Muñoz’s manifesto includes pledges to focus on policies aimed at promoting productive chains and creating free zones; improving innovation and technology to make the country more competitive, particularly in the small and medium-sized enterprise (SME) sector; promoting tourism; and diversifying export markets to the Middle East and Asia, among other things.

Alvarado Quesada, a former labour minister (2016-2017), is proposing to boost job creation through focusing on regional development. His policy offerings include plans to activate regional development centres through establishing economic clusters; promote investment in different regions; strengthen the national employment system; provide English language training for 35,000 people over a four-year period; and reduce informal employment, which averaged 42.6% of the national work force between 2012 and 2016.

El Salvador agreements

The Moody's press release notes that in El Salvador political parties reached agreements on pension reform (September 2017), long-term debt issuance (October 2017) and, more recently (January 2018), approval of this year's budget and its accompanying financing. Moody's believes this shift in political dynamics was prompted by the missed pension-related payment in April 2017, its market consequences, and the determination of the government and the opposition to avoid another similar episode.

Concerns persist about fiscal situation

The international credit ratings agency Standard & Poor's (S&P) once again highlighted concern last week about Costa Rica's widening fiscal deficit which closed at 6.2% in 2017, up from 5.3% in 2016. S&P warned in a statement that the lack of fiscal reform (which the PAC government led by President Luis Guillermo Solís has been unable to push through congress) continues to "erode Costa Rica's public finances, constraining its long-term growth prospects and highlighting its vulnerability to external shocks".

The S&P statement leaves the outlook as negative, but it deems that the results of the 4 February legislative election suggest that the new congress will be marginally less fragmented than the current one, which could help advance fiscal reform this year. The final results give the PLN 17 seats; the RN, 14; PAC, 10; PUSC, 9; Partido Integración Nacional (PIN), four; Partido Republicano Social Cristiano (PRSC), two; and FA, one.

S&P is also hopeful that "recent political debate about fiscal issues during the political campaign, along with support from the private sector and international organisations, could encourage the new administration and congress to take corrective actions soon".

Regardless of the winner, S&P expects overall continuity in GDP growth of 3.2% in 2017 (the lowest since 2013), with broadly similar economic activity in the country expected for 2018 and 2019.

TRACKING TRENDS

CENTRAL AMERICA | **CPI.** The 2017 Corruption Perceptions Index (CPI) compiled by the NGO Transparency International (TI) showed that Costa Rica was the only Central American country to improve its ranking. Released on 21 February, the survey showed Costa Rica ranked 38th out of 180 countries, up from 41st the previous year. Panama, which registered the second highest ranking in Central America, dropped to 96th place, down from 87th, followed by El Salvador in 112th, down from 95th; and Honduras, 135th, down from 123rd. Guatemala slid to 143rd, down from 136th in 2016, and Nicaragua came in at 151st, down from 123rd.

Yet the CPI report highlights as examples of progress in Central America, the fact that, in Guatemala, the attorney general's office and the United Nations-backed International Commission against Impunity (Cicig) are currently investigating politicians and businessmen for cases of corruption, including alleged illegal funding by current President Jimmy Morales.

It also notes that investigations into Panama's former president Ricardo Martinelli (2009-2014) advanced considerably. Martinelli was arrested in the US in June 2017 in line with a 2015 request by the Panamanian judiciary and is under investigation for a number of offences, including espionage against political rivals.

EL SALVADOR | **Moody's upgrade.** On 23 February, the international credit ratings agency Moody's Investors Service upgraded the Salvadorean government's long-term issuer and senior unsecured debt ratings to 'B3' from 'Caa1' with a 'stable' outlook. Moody's cited as key factors for the upgrade, the fact that government liquidity risks are significantly lower due to the legislative assembly's approval last month of US\$350.1m in long-term financing to cover the government's needs in 2018, in tandem with approval of the US\$5.5bn national budget. Moody's notes that during 2016 and 2017 failures to reach meaningful agreements between the main right-wing opposition Alianza Republicana Nacionalista (Arena) and the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) to issue long-term debt had raised government liquidity risks, forcing it to prioritise debt-service payments over other spending, under-execute its budget, and incur arrears with suppliers. The same press release points out that additionally the FMLN government had to rely increasingly on short-term debt (LETES) to cover its financing needs (which does not require legislative approval), testing local banks' capacity to absorb additional amounts of government paper. However, after the agreement reached on the budget and its financing, the government will no longer have to rely on these measures to meet its payment obligations.

POSTSCRIPT

Quotes of the week

“The problem with [former president Lula da Silva] not being a candidate is that he could become a myth, and as a mythical figure he could influence the elections even if he is not participating in them.”

Brazil's President Michel Temer.

“All opposition candidates have guarantees, the only guarantee I will never give them is that they beat me in elections.”

Venezuela's President Nicolás Maduro.

“It is a time of great transformations. There is no precedent for a debate like we have seen in our country in recent months since the end of the 19th century, when Catholics clashed with Liberals...Now it is not Catholicism, but Pentecostalism in politics.”

Costa Rica's President Luis Guillermo Solís.

Chile's Bachelet makes final foreign trip

Chile's President Michelle Bachelet visited Japan from 22 to 26 February, her last official visit before she hands over power to Sebastián Piñera on 11 March. Boosting bilateral trade with Asia is a cross-party objective in Chile. Exports to Asia totalled more than to any other region in 2017, reaching US\$34.53bn, up 12.7% on 2016.

President Bachelet met Prime Minister Shinzo Abe to celebrate the 120th anniversary of the signing of the 1897 bilateral Treaty of Friendship, Commerce, and Navigation, which established diplomatic relations between the two countries. The leaders also discussed the proposed new Trans-Pacific Partnership agreement (TPP-11), which now excludes the US. Both expressed their support for the TPP-11 and hope that it will be signed at an 8 March meeting of its members in Chile.

The two leaders also welcomed the signing of the Japan-Chile Partnership Program 2030 (JCPP 2030), which will promote cooperation between the countries to meet the 2030 Sustainable Development Goals set by the United Nations. They also reaffirmed their support for multiple other bilateral initiatives, including disaster risk reduction cooperation and freedom of maritime navigation in the Pacific.

China was Chile's largest export destination in 2017 amounting to US\$18.75bn, up 8.4% on the previous year, according to the central bank, but Japan was second, totalling US\$10.19bn, up 12.9%. Chile's total exports worldwide expanded by 12.7% to US\$68.31bn in 2017, while imports increased by 10.8% to US\$65.16bn, leaving the country with a trade surplus of US\$3.15bn.

Exports to the Americas totalled US\$22.73bn, with US\$12.38bn of these going to North America. Exports to Argentina increased by 31.1% to US\$970.5m, while those to Brazil jumped 13.9% to US\$3.41bn. Exports to Europe amounted to US\$10.19bn, up 12.9%, of which nearly 90% went to countries within the European Union (EU).

Mining exports increased by 21.8% and industrial products by 5.5%. The sharpest decline was recorded by the agricultural, livestock and fishing sector which contracted by 7.1%. The biggest single imports were automobiles (US\$965.9m), crude oil (US\$860.5m), and fresh and frozen meat (US\$522.3m).

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