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Macri seeks to buttress support for IMF deal

Argentina's President Mauricio Macri did his level best this week to assuage the concerns of businessmen and opposition politicians about the decision to return to the International Monetary Fund (IMF) for financial assistance, and to drum up support for his government at its most challenging time. Many provincial governors have goodwill for Macri but are reluctant to offer unqualified support, not knowing what demands will be placed upon his administration by the IMF, and how unpopular these will be with the populace. Macri's problems were compounded this week by a report from the national statistics institute (Indec) showing that inflation is picking up pace. **But the successful renewal of a large sum of short-term debt halted the run on the peso, providing hope that this could be a turning point.**

The treasury minister, Nicolás Dujovne, met the US under secretary of the treasury for international affairs, David Malpass, who offered his full support for the Argentine government's 'gradualist' economic policy, followed by Christine Lagarde, the managing director of the IMF, in Washington D.C. on 10 May. The finance minister, Luis Caputo, revealed that the government had formally requested additional lines of credit from the World Bank, Inter-American Development Bank (IDB), and Development Bank of Latin America (CAF).

Back in Buenos Aires, President Macri set about shoring up political support for the move. On 10 May he invited opposition governors to the presidential palace Casa Rosada. But of the 19 opposition governors, only six turned up. Only one had been absent for the signing of the 'fiscal pact', for the systematic reduction of the deficit, in the Casa Rosada in November, just weeks after Macri's centre-right Cambiemos coalition performed strongly in the mid-term congressional elections and his political star was in the ascendancy.

Times have changed, but Macri sought much the same: help in cutting public spending to erase the fiscal deficit by 2020. The five provincial governors representing the moderate wing of the Partido Justicialista (PJ, Peronists) – Juan Schiaretti (Córdoba), Gustavo Bordet (Entre Ríos), Juan Manzur (Tucumán), Sergio Uñac (San Juan), and Domingo Peppo (Chaco) – as well as Hugo Passalacqua (Misiones) heard him out. Macri needs their backing because they wield significant influence over the federal senate, where he is going to need support for some potentially unpopular reform initiatives. He promised to maintain the Ar\$185bn (US\$7.8bn) of public works projects envisaged for this year.

The interior minister, Rogelio Frigerio, thanked the governors for standing by the government which he said was a reward for its commitment to federalism. He celebrated the before and after photo as a sign that there was a

Rodríguez Saá spat

The governor of San Luis, Alberto Rodríguez Saá, now firmly in the camp of former president Cristina Fernández (2007–2015), was fiercely critical this week of President Macri's decision to return to the IMF. "Macri's plan failed," Rodríguez Saá said in a television interview. He also point-blank refused to cut spending, saying he would tap the provincial anti-crisis fund (he did not specify for how much) to finance a public works plan he would announce at the end of June. He said it would be "an injection into the local economy and act as a response to the national government's prescriptions". "They take money from the poor and give it to the rich. What kind of equation is that?" he asked rhetorically. The Rodríguez Saá clan, however, is divided. Senator Adolfo Rodríguez Saá, Alberto's brother, was one of the 15 senators who met Macri this week, signing the resultant accord.

broad acceptance that "we are all in the same boat". But the governors want lifejackets, an assurance that the vessel is seaworthy, and first class tickets, before climbing aboard. Whatever private reservations they might have expressed, the governors did not publicly criticise the decision to return to the IMF after leaving the meeting, but they do not want to shoulder the economic costs of any resulting fiscal adjustment let alone share the political costs of such policies.

Schiaretti did express his opposition to the bill approved by the federal lower chamber of congress last week to cap increases in energy tariffs, which is now before the senate. But at a separate meeting of six governors in Tucumán on 16 May, Schiaretti, while promising to "help ensure governability", conditioned support for the IMF deal on the deficit reduction not falling on the provinces.

Macri also hosted bankers, businessmen, and opposition senators in the Casa Rosada. Fifteen federal senators from different parties met Macri on 14 May, a day of myriad developments. They signed a document promising to defend "financial stability on the foundations of economic growth, job generation, and national production," as well as "the interests of all Argentines" (see sidebar). Senator Guillermo Pereyra, of the opposition Movimiento Popular Neuquino, said that Macri had exuded calm and was firm in his convictions.

Macri's serenity would have been tested later on the same day when the peso plunged 7% against the US dollar to reach a closing price of Ar\$25.50/US\$1. At the start of May the peso was worth Ar\$20.9/US\$1. The central bank (BCRA) sought to arrest the peso's fall by standing ready to sell US\$5bn of international reserves in the foreign exchange market if necessary, eventually selling off US\$400m.

All this despite Macri holding a well-publicised phone conversation with his US peer Donald Trump. The 10-minute chat with Trump was described by the government as a "very positive" show of support. Trump's backing is important as the US has the most voting power among IMF member countries (16.5%). Moody's international rating agency, meanwhile, issued a report arguing that the "financial turbulence" had exposed the "significant structural weaknesses" in Argentina, concluding that economic growth would be dragged down.

While Macri was meeting the senators, outside on the streets of central Buenos Aires, Juan Carlos Schmid, one of the three co-rulers of the umbrella trade union Confederación General del Trabajo (CGT), led a demonstration of several hundred protesters against the high cost of public services in Argentina and a deal with the IMF. Schmid called for a national strike against the government's economic policy. He only represents the more radical factions in the CGT most opposed to Macri, however, so the government will not be unduly concerned unless more moderate unions heed his rallying call.

The following day, 15 May, provided a litmus test to gauge the damage of the recent run on the peso on investor confidence. A total of Ar\$617bn (US\$25.1bn) of short-term treasury notes (known as Lebac), which are regularly issued by the BCRA, matured. Investors gave a vote of confidence in Argentina by renewing 100% of the Lebac (the government even placed an additional Ar\$5bn [US\$200m]) rather than selling them for US dollars. As a result, the peso clawed back 3.7% of its value against the US dollar. The success of this operation, however, was tempered by the fact that the government has only bought time, and at a very high cost, to negotiate a Stand-By Arrangement (SBA) with the IMF: the interest rate on the 36-day Lebac was 40%; in April's auction it was just 26.3%.

Carrió's coup

“They want to carry out a currency coup to topple the president,” Elisa Carrió, a federal deputy and leader of Coalición Cívica para la Afirmación de una República Igualitaria (CC-ARI), part of the ruling coalition, said this week. More and more diverse ‘coups’ have been denounced across the region in recent years. Venezuela’s President Nicolás Maduro holds the record for the largest number of different types of alleged coups. Carrió did not specify who “they” were other than to say that “there are bastards everywhere, such as the Unión Industrial Argentina [UIA]”, which has been particularly critical of the Macri administration’s economic policies.

The same day also brought bad news. Indec revealed that the consumer price index (CPI) was 2.7% in April, the highest of the year to date. Inflation reached 9.6% for the first four months of the year, bringing the annualised figure to 25.5%, due to an increase in gas and electricity tariffs, water rates, and public transport costs. The Macri administration had hoped inflation would fall in May but the sharp devaluation of the peso is likely to put paid to that. At 9.6% after one-third of the year has elapsed, inflation is already practically two-thirds of the way to the government’s annual target of 15%.

The head of the moderate PJ Bloque Justicialista faction in the senate, Miguel Pichetto, who had attended the meeting of senators with Macri, then sought to extract a concession by setting a deadline for the government of 19 May to present “a reasonable” scheme for the increase in energy tariffs. Failing that, Pichetto said, senators would start debating the bill approved by the lower chamber last week. Macri refused to budge. Speaking on 16 May, flanked by many of his cabinet ministers, he responded by saying that “if there were an alternative I would be the first to take it, but this is what energy costs”. Macri went on to argue that his government had sought to soften the blow of cuts to spending and subsidies through a ‘gradualist’ economic policy but, pre-empting probable demands by the IMF, he added that the verdict of the international community was that “the speed with which we have undertaken to reduce the fiscal deficit is not enough, so we will have to accelerate”.

Macri acknowledged that there had been some “problems in coordination between [his] economic team and the central bank”, and was candid that economic targets for this year were “too optimistic”: inflation will be higher and economic growth lower. He also insisted that there was “no hidden agenda” with the IMF, echoing the message repeatedly put out by Caputo that there is no “crisis” and that this is the first time Argentina has gone to the IMF from “an extremely solid position”.

But ensuing political tensions could spook jittery investors. Macri refused to accept the call by Peronist governors that the provinces should be excluded from a deficit-reduction plan. He called for “a great accord to reach fiscal balance, which Argentina has not managed for 70 years”. It is four months before the 2019 budget will be sent to congress but Macri wants the governors to be involved in its drafting. The trouble is many governors, like Macri, will be seeking re-election in 2019, and will be doubly loath to accept spending cuts.

Historic debt could reap future dividends

Given all the talk of IMF-prescribed spending cuts, belt-tightening measures, and missed economic goals, there was one eye-catching development in the federal lower chamber of congress on 16 May. Addressing several congressional commissions, the social development minister, Carolina Stanley, presented a bill to undertake a major “urbanisation” programme in 4,228 poor neighbourhoods (‘barrios’) nationwide.

Stanley said the state had “a historic debt” to develop these slums (‘villas’) where 3.5m Argentines (850,000 families), 40% of whom are under 15, live. The bill, drawn up by the government with the input of social organisations, NGOs, and various congressional deputies, would see the government expropriate land in neighbourhoods where more than eight families are grouped together with no property rights or access to no more than two basic services (water, sewage, electricity, gas). Improvements would be made and property titles granted to residents. Stanley said a trust would be established in the 2019 budget to finance the work.

The political opposition expressed support for the spirit of the initiative, while raising doubts about the financing of it. “At this juncture, with the [IMF] planned fiscal adjustment, we hope that this project does not end up being just a headline in the papers to make some people happy,” Gabriela Cerruti, a deputy for the Kirchnerista faction of the PJ, said. Deputy Romina del Plá, of the opposition Frente de Izquierda, said that “with the enormous devaluation, IMF accords, capital flight, and tariff hikes, more families will soon be living in these barrios”.

Could oil fiasco produce Maduro shock?**Machado**

The leader of the radical opposition party Vente Venezuela, María Corina Machado, has been conducting a national campaign, which has taken her to 14 of Venezuela's 23 states, to force President Maduro's resignation after the elections. Machado, who this week met former Colombian presidents Andrés Pastrana (1998-2002) and Alvaro Uribe (2002-2010), firm critics of the Maduro administration, on the Simón Bolívar bridge linking the two countries, said that the only option was to remove Maduro by force: "not force of arms but force of citizens allied to the institutional force [of the sidelined opposition-controlled] national assembly, and international force".

Revelations about the chronic mismanagement and misuse of taxpayers' money days before presidential elections would suffice to see the incumbent government turfed out of power in most democracies. Not least if this is directly responsible for a shortage of basic goods and essential medication. This is the situation in Venezuela. Figures released this week confirmed the unremitting decline of national oil production, and an exposé showed that the state cash cow Pdvsa has resorted to importing crude from third countries in order to supply its diplomatic allies in the Caribbean, especially Cuba, at a loss. Yet despite the prevailing scarcity President Nicolás Maduro is looking to win re-election with a record glut of 10m votes on 20 May.

Venezuelan oil production fell in April to just 1.44m barrels per day (bpd), down 41,700 bpd on March, according to figures released this week by the Organization of the Petroleum Exporting Countries (Opec). Oil production is now down 31% on August last year when it stood at 2.1m bpd and almost by half on the average 2.65m bpd registered in 2015. Indeed, it is at its lowest level for 33 years, except the two-month strike-cum-lockout in 2002-2003.

Once the third-largest producer in Opec, Venezuela has fallen to seventh. But the real blow to national pride was the news earlier this month that Colombia had surpassed Venezuela for the first time ever in oil exports to the US. In February, the most recent month for which data has been made available by the US Energy Information Administration, Colombia became the fifth-main oil exporter to the US after Canada, Mexico, Saudi Arabia, and Iraq, displacing Venezuela. Colombia exported an average of 477,000bpd of crude to the US; Venezuela 472,000 bpd. Crucially for the government led by President Maduro, as Venezuelan oil exports to the US fall in importance (for the US) so the possibility of Washington imposing sanctions on them grows. Victory for Maduro on 20 May could provide the catalyst.

When Major General Manuel Quevedo was appointed president of Pdvsa and oil minister last November, he promised to reverse the sharp decline in production at the state-run company, boosting output by 1m bpd by rooting out corruption. By this yardstick his six-month tenure has been an unmitigated failure. Pdvsa workers are leaving in droves. Refineries are operating at a mere third of capacity. Quevedo appears to have devoted more time to completing the Maduro administration's task of purging Pdvsa of senior officials seen as loyal to Rafael Ramírez, who has been ostracised by Maduro. Ramírez was the long-serving oil czar (2002-2014) and leader of a powerful faction within the Bolivarian Revolution under former president Hugo Chávez (1999-2013).

The economic cost of diplomatic support

It was against this backdrop that the *Reuters* news agency published a piece on 15 May claiming that Pdvsa has bought nearly US\$440m of oil from abroad and shipped it to Cuba on preferential terms "often at a loss". Citing "internal company documents" it had reviewed, *Reuters* claimed that this was the first documented occasion of Venezuela supplying other countries within Petrocaribe, the oil scheme used by the government to exert geopolitical influence in the Caribbean, with foreign crude rather than its own.

Reuters claimed that the documents it examined, which date from January last year right up to the present, showed that Pdvsa bought the foreign crude for up to US\$12 per barrel more than it priced the oil for shipment to Cuba, without it even passing through Venezuela. The pricing is largely academic

Venezuelan emigration

The number of Venezuelan immigrants in Latin America has increased more than tenfold in two years from 89,000 to 900,000, according to figures released by the International Organization for Migration (IOM), and more than doubled from 700,000 to 1.5m globally.

as Cuba provides payment-in-kind to Venezuela through the provision of goods and services – an arrangement that has long been criticised by the political opposition. But the Maduro administration has always maintained that the oil provided to Cuba, and other Petrocaribe allies, was extracted from Venezuela's own reserves.

It now transpires, according to *Reuters*, that Russian Urals crude (purchased from Chinese, Russian and Swiss firms) making it especially useful for Cuban refineries constructed with Soviet-era equipment, is being supplied instead. Pdvsa did not even pay cash for this oil but rather promised other oil shipments at a later date, further increasing Venezuela's oil-for-loan debts.

It is no secret that Pdvsa has been purchasing Russian Urals light crude for some time, amid falling production, to supply its Isla refinery in the Dutch Caribbean island of Curaçao, and to blend with its heavy crude, but the claims by *Reuters* show the lengths to which the Maduro administration is prepared to go – buying and selling on crude at a loss when imports of food, basic goods, and medicine are in such short supply in Venezuela – to retain diplomatic support in the Caribbean. While Latin America's most powerful states are now united in their opposition to the Maduro administration, it has been able to stave off isolation, and censure and possible suspension by the Organization of American States (OAS), by virtue of this support from small states within Petrocaribe receiving cheap oil.

Calls to suspend elections

With the OAS held in perpetual check, despite the vociferous criticism of Venezuela from its secretary general Luis Almagro, the region's heavyweights have taken to issuing statements from the Lima Group. Meeting in Mexico on 15 May, the 14-nation Lima Group issued "a final call" for the Venezuelan government to suspend the presidential elections "as they have been called by an illegitimate authority". Mexico's foreign minister Luis Videgaray, who read the statement, did not reveal what it intended to do when the ultimatum is ignored but assembled foreign and finance ministers apparently discussed "possible scenarios and actions to take...individually or collectively".

The Venezuelan episcopal conference (CEV) also called for the elections to be suspended. "The elections, as conceived, without the sufficient guarantees, credibility and transparency of all free electoral processes, with numerous possible candidates barred from standing, far from providing a solution to the crisis the country faces could deepen it, leading to an unprecedented humanitarian crisis," the CEV said in a statement.

The first vice president of the ruling Partido Socialista Unido de Venezuela (PSUV), Diosdado Cabello, insisted that there was no such crisis nor one in the offing. Cabello claimed that Venezuelan emigration was "not the fault of the Revolution" but the result of "a campaign, many years in the making, to destroy the self-esteem of the Venezuelan people, turning them into zombies". "Young people leaving Venezuela think that El Dorado is in Colombia...or Peru...they will not be treated well there, we invite them to stay here," Cabello said. "It will never be better in another part of the world than here in Venezuela," he added (*see sidebar*).

Speaking at a campaign rally in the western state of Apure on 12 May, Maduro appealed to all generations of Venezuelans to defy calls by the Mesa de la Unidad Democrática (MUD) opposition coalition to boycott the elections and "unite as a single family" to re-elect him with a record 10m votes. His main rival, Henri Falcón, meanwhile, met the president of the national electoral council (CNE), Tibusay Lucena, telling her to do her job after claiming that Maduro was repeatedly flouting electoral rules and bribing the electorate to vote for him.

Reaction to ELN ceasefire

The ELN announcement of an electoral ceasefire was well received by all of the presidential candidates, although they demanded more. Germán Vargas Lleras, for instance, said that, while “useful”, it would not be enough if the ELN “continues to commit crimes and regroup militarily, controlling the illegal mining and drug trade, while talking in Cuba”. The ELN’s chief negotiator, ‘Pablo Beltrán’ expressed his content, however, that Iván Duque, the presidential candidate of the right-wing opposition Centro Democrático (CD) and current frontrunner in the polls, had changed tack and now favours negotiations with the ELN “with conditions”.

ELN declares electoral ceasefire

The recently renewed peace negotiations between the Colombian government and Ejército de Liberación Nacional (ELN) in Cuba produced their first success this week: a unilateral ceasefire declared by the guerrilla group’s central command (Coce) for a period two days either side of the first round of the presidential election on 27 May. The ELN’s chief negotiator, ‘Pablo Beltrán’ (Israel Ramírez Pineda), said this was a gesture of goodwill and would not replace the bilateral ceasefire being negotiated in Havana, the new venue for the talks.

The ELN made a similar gesture before the congressional elections in March with a five-day ceasefire. It is important because the threat of guerrilla violence has been an intimidating factor in past elections, while in October 2015, in Boyacá department, ELN guerrillas attacked an army patrol escorting two officials from the national registrar’s office carrying ballot boxes containing the votes cast by the indigenous U’wa during regional and municipal elections.

President Juan Manuel Santos discussed the peace process in Colombia extensively during a tour of Europe, taking in Germany, Hungary, and Italy, before concluding in Spain on 14 May. He expressed his optimism that a “framework agreement” could be reached with the ELN before the end of his term in August and passed on to the next government along with the peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc). But progress with the ELN has been agonisingly slow. It is worth bearing in mind that Santos revealed the start of exploratory talks with the ELN days before he won re-election in June 2014.

The immediate challenge is to agree upon an improved bilateral ceasefire, four months after the expiry of the first (101-day) truce. But Beltrán, while promising not to leave the negotiating table, expressed grave reservations about the peace process. “[What is happening] is completely demotivating,” he said. “There are many doubts within the ELN: if this is how the Farc is being treated, the accords are being diluted and not complied with, they have suffered various attacks...if the political solution of the armed conflict is for one side to finish like that then, of course, it creates doubts,” he added. Beltrán said the attacks from the Right were predictable if disturbing, but the “inexplicable aggression” from the US, “a historic ally” of the Colombian government, was threatening to destroy the peace process, an allusion to the April arrest of ‘Jesús Santrich’ (Seusis Pausivas Hernández), a senior Farc leader, for suspected drug trafficking.

TRACKING TRENDS

COLOMBIA | Growth picking up pace. The economy expanded by 2.2% in the first quarter of 2018 compared with the same period last year, the national statistics institute (Dane) reported this week. This compares favourably to 1.3% economic growth in the first quarter of 2017.

Nine of the 12 economic activities measured registered growth which was driven by financial and insurance services (6.1%), and the public administration and defence sector (5.95%). Wholesale and retail trade grew by 3.9% year-on-year. However, the president of the national business association (Andi), Bruce Mac Master, said it was concerning that the three sectors that should be leading the way all contracted: construction (-8,2 %), mining (-3,6 %), and manufacturing (-1,2 %). Agriculture, meanwhile, grew by just 1.6%. These are the sectors that generate most employment.

The finance minister, Mauricio Cárdenas, insisted that the result was “good” but would be “better in the next few quarters”, due in part to more oil investment and royalties, although political uncertainty due to the upcoming general elections could impact growth.

Piñera declares war on bureaucracy**Piñera likened to Maduro**

Senator Alejandro Guillier, the presidential candidate for the leftist opposition Nueva Mayoría defeated by Sebastián Piñera in last December's elections, accused him this week of "governing by decree as in Venezuela under [President Nicolás] Maduro, destroying institutions, in this case congress".

"Congress is there to discuss and interpret laws," Guillier said.

Guillier also touched on the criticism of nepotism levelled at the government in the wake of the frustrated attempt to name Piñera's son Pablo ambassador to Argentina. "A private company is not the same as the state," Guillier said.

President Sebastián Piñera announced a pro-investment plan this week to "transform Chile", creating some 250,000 jobs. Piñera said US\$65bn of investment projects were currently held up or paralysed for various reasons in Chile. He said his government would advance more than 200 such projects by slashing red tape and incentivising investment.

"No country has the luxury of allowing necessary investment projects to be blocked for years, still less one that aspires to development without poverty," President Piñera said. In a presentation delivered at the La Moneda presidential palace, flanked by the finance minister, Felipe Larraín, and the economy minister, José Ramón Valente, Piñera tabled a bill containing 12 pro-investment initiatives. These include modifying the water code to cut approval times for water projects, and simplifying procedures conducted by the environmental regulator (SEA), without cutting corners with respect to environmental protection and community consultation.

Piñera said that a total of 203 large-scale projects in areas ranging from roads, ports, energy and mining, and water to healthcare, education, housing, and agriculture had been unable to get off the ground. Nearly half of the US\$65bn of investment tied up (US\$31.8bn) involves mining projects, with infrastructure projects accounting for over 20% of the total, and energy 7.5%. Piñera added that 250,000 jobs would be created between now and 2021 as a result of the reactivation of the investment projects (in addition to the 600,000 jobs promised during his electoral campaign last year) and opportunities provided for small and medium-sized enterprises (SMEs).

Piñera signed a law creating an office to manage sustainable projects (GPS, in the Spanish acronym) to break the logjam and "set Chile on the path of progress and development". It currently takes an average of four to five years to obtain the necessary permits and licences in Chile to carry out large-scale investment projects, obstacles for which Piñera blamed the decline in investment as a percentage of GDP in Chile from 24.9% in 2012 to 22.1% in 2017.

Piñera said the GPS would simplify the process for investors by coordinating with the necessary agencies to secure permits and licences. "With this GPS office we have declared a true war on the excessive bureaucracy, negligence, and incompetence which has often paralysed our country," Piñera said.

Piñera appointed Juan José Obach to head the GPS, which will be run out of the economy ministry's budget. Obach worked in the social development and labour ministries during Piñera's first administration (2010-2014) before studying for a Masters in Public Administration in International Development at Harvard University.

One of the stalled large-scale investment projects the Piñera administration wants to reactivate is the US\$2.5bn Dominga copper and iron ore mine, located in the north-central region of Coquimbo, and a new port to serve it. The regional environmental evaluation commission (CEA) suspended the project in March last year, and a joint ministerial committee rejected it in August. The mine was expected to produce 12m tonnes (t) of iron ore and 150,000t of copper concentrate per year.

New lead in Franco investigation

Two months after the assassination of Rio de Janeiro city councillor Marielle Franco from the leftist Partido Socialismo e Liberdade (PSOL), Brazilians are demanding to know “who killed Marielle?” At least two suspects have been named. But so far, no one has been charged.

Franco was shot on 14 March along with her driver Anderson Pedro Gomes in the central Rio de Janeiro region of Estácio after speaking at a women’s rights event. The murder, which displays all the signs of a targeted killing (see sidebar), has shaken faith in Brazilian democracy, as human rights groups redouble their calls for justice.

Franco was a tireless defender of human rights in Brazil. She was an activist for poor, black, female and lesbian, gay, bisexual, transgender or intersex (LGBTI) communities and much of her work was carried out in local favelas. But through her work, she made some powerful enemies as an outspoken critic of police abuse, the federal intervention (to put the army in control of public security in the state of Rio de Janeiro) and the activities of local militias.

Franco’s case, which is led by civil police, is under the seal of secrecy. But the public security minister, Raul Jungmann, revealed the principle line of investigation is still that she was killed by militias – or paramilitary-style groups composed of former and current officers who hold sway in the favelas.

The growing power of the militias poses a serious threat to democracy in the run-up to the October general elections, increasing the pressure on local authorities to conclude the Franco investigation. According to local daily *O Globo* militias currently control around 165 favelas and operate in 37 neighbourhoods in the metropolitan zone of Rio de Janeiro state, where 2m people live.

A new lead suggests that Franco’s activism in the western favelas of Rio de Janeiro may have got her killed, raising alarm bells about whether other political candidates could be targeted. On 9 May an anonymous witness heard by *O Globo* claimed Franco’s murder was carried out by another city councillor, Marcello Siciliano from the centre-right Partido Humanista da Solidariedade (PHS) and the jailed former police officer Orlando Oliveira de Araújo.

Recordings released by *O Globo* suggest Siciliano had ties to the militias. His motive for killing Franco was allegedly that her social policies had weakened the militias’ sway over the favelas such as the Cidade de Deus, which could in turn affect Siciliano’s re-election prospects. Jungmann confirmed that Siciliano and Araújo were being investigated by police, but stressed they were not the only suspects.

A report by Amnesty International found that only 10% of Brazilian homicide cases are ever solved. On 14 May, the human rights group organised a protest outside the state public security office in Rio de Janeiro (Seseg) demanding a response to make sure Franco’s murder does not also go unpunished.

Whatever happens next, Franco’s legacy will not be forgotten. Earlier this month, Brazilian congress passed five new reforms drafted by the councillor to honour her memory. These include a state-sponsored ‘night owl’ crèche for mothers that work late; an anti-harassment campaign on local transport; a local holiday to commemorate the achievements of black women; and a new rehabilitation programme for young offenders.

A targeted killing?

The hypothesis that Franco was killed by militias is reinforced by the professional nature of the killing. She was tailed; the murderer used vehicles with cloned number plates; five of the security cameras were turned off prior to the killing; and criminals used a muffler to disguise the sound of the gunshots fired from a submachine gun, found investigative journalism site *The Intercept Brazil*.

Petrobras wins out over politics

Best-known for its starring role in the corruption saga ‘Operation Car Wash,’ the name of Petrobras is never far from the headlines. But over the past two years, the semi-public oil company has made an impressive comeback, showing it is not beyond salvation.

Petrobras posted its best financial results in the first quarter of this year since 2013, just before ‘Operation Car Wash’ began. Between January and March, Petrobras made R\$6.96bn (US\$1.9bn) in profit, up 56.5% from the same time last year.

External factors like the rise in global oil prices have given Petrobras a boost. But better internal management also played a part. Since 2016, Petrobras has also undergone major restructuring to sell off non-core assets under current CEO Pedro Parente. Other cost-cutting measures to adjust fuel prices in line with inflation, and make more discerning investment decisions, have also helped the company return to profit.

In an interview with local media, Parente said he was “cautiously optimistic” about the company’s financial situation. Appointed in 2016 following the impeachment of former president Dilma Rousseff (2011-2016), he is credited with driving Petrobras’ turnaround (*see sidebar*) and enforcing a new compliance programme, along with more belt-tightening measures.

Although recovery is in sight, Petrobras is not yet out of the woods, Parente stressed. It is still the most indebted oil company in the world and had around US\$30bn to repay due in 2017 and 2018. Its divestment target is to pay off US\$21bn of this by the end of this year.

Petrobras’ story is closely intertwined with that of local government, especially during the 12 years of leftist Partido dos Trabalhadores (PT) rule under former presidents Lula da Silva (2003-2011) and Rousseff. In the boom years, Petrobras was held up as the government’s “golden ticket” to raise money for social reforms following the discovery of huge pre-salt reserves in 2007. But during leaner times, including the two-year recession (2015-2016), Petrobras came to epitomise corruption and waste after ‘Operation Car Wash’ exposed the company had been used as a cash cow for dirty political campaigning.

The Petrobras corruption story is already well known. But the latest financial results show that some green shoots have emerged. Petrobras sunk an estimated US\$5bn through a kick-back scheme implicating hundreds of politicians, whereas investment in the pre-salt reserves which Lula and Rousseff fought so hard for is worth a projected US\$100bn between 2014 and 2018. All this is a cause for optimism.

What next?

What to do about Petrobras is a key electoral issue. Centre-right candidates such as Geraldo Alckmin from the Partido da Social Democracia Brasileira (PSDB) are pushing for full privatisation to avoid any more political upsets in future. Whereas leftist opponents such as Ciro Gomes from the Partido Democrático Trabalhista (PDT) and Marina Silva from Rede Sustentabilidade (Rede) are vehemently against it, saying Petrobras’ profits belong to the people.

A big question mark is what stance ultra-right candidate Jair Bolsonaro would take. Bolsonaro’s economic advisor Paulo Guedes is broadly pro-privatisation. But Bolsonaro’s tendency towards protectionism suggests he might not follow that advice and may be tempted to keep it public. Even with the corruption scandal, Petrobras is still seen by many as a matter of national pride and seven out of 10 Brazilians want to keep it public, according to a survey by pollster Datafolha.

The Pedro Parente effect

The turnaround in Petrobras’ fortunes has been dubbed the ‘Pedro Parente effect’ after the current CEO. Having already helped to turn around agribusiness Bunge in the past, his next project in addition to Petrobras will be helping meatpacking company BRF to recover from its financial troubles following the 2017 tainted meat corruption scandal.

Contagion

There is growing concern in Uruguay about the financial turmoil across the River Plate in Argentina once again. Argentina's 2001-2002 financial debacle also hit Uruguay hard. At the height of the crisis, Uruguay's then-president Jorge Batlle (2000-2005) was forced to fly to Argentina in tearful contrition after calling all Argentines "a bunch of thieves". The Uruguayan peso this week fell to its lowest level against the US dollar since June 2016. The president of Uruguay's central bank (BCU), Mario Bergara, said that "the increase of the value of the US dollar in Uruguay is 80% down to global issues and 20% down to Argentina". He said that an increase in inflation was a concern if the currency depreciation continued but not enough to revise the annual target of 3%-7%. He said the BCU was in talks with Argentina's central bank (BCRA), adding "we are dedicated to resolving the situation, which is urgent".

TRACKING TRENDS

BRAZIL | Airport bankruptcy. On 9 May, two days after an operating company for Viracopos, the second-biggest cargo airport in Brazil, filed for bankruptcy, the judiciary suspended the company's financial obligations, including the payment of fines. The Viracopos consortium is made of construction companies UTC, Triunfo, and Egis (with 51%) along with the state-run company Infraero (49%). It comes as the company moves to re-structure R\$2.88bn (US\$813m) of debt, according to financial daily *Valor Econômico*.

The consortium was set up in 2012, but was badly hit by the subsequent recession and continued to perform below potential even after Brazil's economy had technically recovered.

In 2017, Viracopos airport, located in the city of Campinas, São Paulo state, received 9.3m passengers, far below the 18m operators had been expecting, according to local daily *Folha de São Paulo*. During the same year, they moved 199,000 tonnes of cargo, well below the 409,000 forecast.

After being named in 'Operation Car Wash', UTC faced difficulties keeping up with its payments and Infraero was also implicated. This left Triunfo over-burdened to keep up with payments on behalf its partners and it too came into financial difficulties.

BRAZIL | HSBC tax evasion scandal. Three years after 'Swiss Leaks' lifted the lid on tax evasion, federal police in Brazil are investigating 660 Brazilians with secret HSBC accounts in Switzerland. The list of suspects features prominent businessmen from industries such as construction, industry and finance, according to local daily *O Globo*. These include the president of Companhia Siderúrgica Nacional (CSN), Benjamin Steinbruch, the billionaire founder of investment bank BTG Pactual, André Esteves, and the CEO of construction company Tecnisa, Joseph Meyer Nigri. Thirteen Brazilian HSBC officials are also under investigation.

The worldwide scandal first came to light in July 2015 when whistleblower Hervé Falcini leaked data about thousands of wealthy clients at HSBC who allegedly used the Swiss arm of the bank to hide US\$222bn from tax authorities. Even though Brazilian police had access to that data at the time thanks to a cooperation agreement with French authorities, they only compiled a shortlist of names for the judiciary to investigate last November.

BRAZIL | Electricity. Neoenergia, which is controlled by Spanish energy company Iberdrola, has said it is still interested in acquiring the shares of Brazilian electricity distributor Eletropaulo, even after Neoenergia requested arbitration against Eletropaulo on 8 May.

Under an agreement signed in April, Neoenergia agreed to buy all the shares in Eletropaulo with a view to taking over the company. But Eletropaulo cancelled the offer having received a higher bid from rival Italian company Enel. Eletropaulo shareholders will make a final decision on the takeover before an auction scheduled for 4 June, until which time they can still receive new offers.

URUGUAY | Boosting China trade. Uruguay has sent a trade delegation to China, its main trading partner, for an 11-day visit from 8-19 May, in a bid to increase the volume of exports from the current level of US\$2.55bn a year and discuss investment opportunities. Increasing exports to China is all the more important given the economic difficulties being encountered by Argentina once again (*see sidebar*).

The Uruguayan government is confident of accomplishing its target of boosting the country's exports to China after the agriculture and livestock minister, Enzo Benech, who is leading the trade delegation, announced this week the opening of the Chinese market to exports of live cattle and cranberries. Benech also inaugurated an agricultural attaché office in the Uruguayan embassy in Beijing, before heading on to the 2018 Shanghai International Import and Export Food & Beverages Exhibition, where Uruguay has a stall, and holding talks with China's agriculture minister Han Changfu.

The trade delegation has travelled across China from the north-eastern port city of Tianjin; Hangzhou, the capital of China's eastern province of Zhejiang; Chengdu, capital of the south-western province of Sichuan; and Guangzhou, Foshan, and Shenzhen in Guangdong province.

López Obrador makes misstep

With the dust yet to settle in the public spat between Mexico's business sector and Andrés Manuel López Obrador, the presidential candidate of the leftist opposition Movimiento Regeneración Nacional (Morena), over his plans to scrap the new Mexico City international airport project [WR-18-18], the clear frontrunner in the polls has made another pledge that has earned him widespread criticism. López Obrador's plan to repeal the 2012-2013 education reform has been criticised as a regressive populist measure that panders to Mexico's combative teachers' unions at the expense of ensuring the provision of high-quality education for Mexico's children.

López Obrador has long expressed support for the protests that have been staged by the Coordinadora Nacional de Trabajadores de la Educación (CNTE) teachers' union against the education reform. The sporadic protests that have been taking place ever since the approval of the reform promoted by the outgoing Partido Revolucionario Institucional (PRI) government led by President Enrique Peña Nieto have been disruptive and often violent, particularly in the southern states where the CNTE remains influential. So, it was not very surprising that López Obrador would address the issue of education and express his support for the protesting teachers during a visit to the south-western state of Oaxaca.

But what was unexpected was that López Obrador would make a pledge not just to review the education reform to address some of the protesting teachers' grievances but to repeal it if he wins election. At a 12 May campaign rally in the town of San Pablo Guelatao, López Obrador presented 10 initiatives that his prospective government would take in the area of education. Chief among these were a repeal of the 2012-2013 reform and all the secondary legislation linked to it, and the drafting of a new national education plan to be developed in conjunction with teachers and parents.

López Obrador argued that the education reform pushed through by the Peña Nieto government was flawed, as it has curtailed teachers' labour rights by undermining the influence of the unions and introducing things like mandatory evaluation tests for teachers. He also argued that the reform has produced a conflict in the national education sector between teachers and the authorities. The Morena candidate said that the only way to solve this would be to scrap the reform altogether; restore all teachers' and union rights; and come up with a new plan to deliver true, high-quality, education for Mexican children that enjoys the broad support of teachers and parents.

Rejection

López Obrador's pledge and arguments for repealing the reform were immediately rejected by local civil society groups. The first to voice its rejection was the education advocacy NGO Mexicanos Primero. Soon after López Obrador made his pledge public, Mexicanos Primero issued a statement condemning it. The NGO accused López Obrador of being more interested in securing the votes of the CNTE than in improving the quality of education in Mexico. It also defended some of the aspects of the reform resisted by the CNTE, such as regular evaluation tests for teachers, by arguing that the aim of the reform is to limit the considerable power that teachers' unions have had over the national education system and professionalise it to ensure the provision of high-quality education across the country and not just in certain areas.

Mexicanos Primero went to accuse López Obrador of siding with a small group of teachers that have managed education in Mexico with their own interests in mind, rather than the interest of Mexican children, and who are

Gordillo

Prior to her arrest in 2013, Elsa Esther Gordillo was one of Mexico's political powerbrokers due to her ability to mobilise millions of teachers. Gordillo was jailed on money laundering charges, but it has long been speculated that this was prompted by her opposition to the education reform (it is certainly the case that following Gordillo's detention the reform was accepted by the SNTE). In fact, Gordillo's lawyers say that she is a political prisoner. Intriguingly, this view is shared by Esteban Moctezuma Barragán, who is in charge of developing Andrés Manuel López Obrador's education policy. In a 16 May interview Barragán insinuated that Gordillo could be released if López Obrador is elected and that she would be consulted on education policy.

López Obrador leading at halfway point

The latest opinion poll by local pollster Consulta Mitofsky, released on 15 May, shows that halfway through the official 90-day electoral campaign period ahead of July's elections, Andrés Manuel López Obrador continues to lead voting intentions comfortably. Mitofsky gives the Morena candidate 44.5%, followed by 28% for Ricardo Anaya, the presidential candidate of Por México al Frente; while the PRI's José Antonio Meade is further behind on 19.8%. Problematically for Meade, Mitofsky also found that the PRI has the highest rejection rate among all political parties with 62.5%, followed by Anaya's Partido Acción Nacional (PAN) with 43.1%, while Morena has a rejection rate of 32.7%.

unwilling to accept the need for change. "The promise to cancel the reform is aimed at those that understand teaching as a business, subject to obedience, a lack of transparency and accountability.... It is aimed at figures that have led the worst attack on public education: the former leaders of the Coordinadora Nacional de Trabajadores de la Educación (CNTE) in Oaxaca and the remnants of the discredited leadership of the Sindicato Nacional de Trabajadores de la Educación (SNTE) headed by Elba Esther Gordillo," Mexicanos Primero said in allusion to the former leader of the SNTE, the country's main teachers' union, who was jailed soon after the approval of the reform (*see sidebar*).

Mexicanos Primero called on parents to defend their children's right to high-quality education and on all teachers interested in cleaning up and improving the national education system not to vote for the Morena candidate. "We say no to the exchanging of children for votes, we say yes to putting children before political parties," the Mexicanos Primero statement reads. Meanwhile, on 14 May, the 10 por la Educación grouping of over 100 civil-society groups committed to improving education in Mexico called on López Obrador to clarify his position on the reform, pointing out that on 8 May he had expressed the grouping his commitment to support the new education model introduced under the reform if elected. "We demand clarification," 10 por la Educación spokesperson Alexandra Zapata said, noting that the initiatives presented by López Obrador in San Pablo Guelatao are "absolutely incompatible with the commitment he made just 36 hours earlier".

Unsurprisingly, López Obrador's main rivals in the presidential race also wasted no time in criticising his stance on the education reform. Ricardo Anaya, the presidential candidate of the Right-Left Por México al Frente opposition coalition, said that repealing the reform would be a "a big mistake" and that López Obrador was "only trying to win votes" with his pledge. Similarly, José Antonio Meade, the PRI presidential candidate said that repealing the education reform would "condemn Mexico's future to a dark past where politics comes before education". Of all the reforms advanced by the Peña Nieto administration, the education reform is the one that enjoyed the broadest level of public support.

MEXICO | POLITICS & SECURITY

Meade takes initiative on security issues

José Antonio Meade, the presidential candidate of Mexico's ruling Partido Revolucionario Institucional (PRI), continues to trail in a distant third in voting intention polls ahead of elections on 1 July and knows that he must take the initiative in the remaining weeks of campaigning if he is to have a chance of overtaking his rivals. Meade's strategy appears to involve presenting an innovative proposal to deal with one of Mexico's main concerns: how to improve public security. It remains to be seen if his proposal convinces the general public and energises his flagging campaign.

In spite of the fact that improving public security is one of the key issues in Mexico today, none of the candidates have so far presented credible new proposals on how to tackle the issue other than the controversial proposal by Andrés Manuel López Obrador, the presidential candidate of the leftist opposition Movimiento Regeneración Nacional (Morena) and current frontrunner in the presidential race, to offer an amnesty to members of drug trafficking and criminal organisations.

However, this changed on 13 May when Meade released a video message in which he outlines his proposals for improving the situation in the country's northern border areas. In his message, recorded in the border city of Tijuana in Baja California state, Meade argues that improving security in the northern border area is key to promoting its economic development as well as that of

Banxico

Banxico's president Alejandro Díaz de León issued a statement this week announcing the creation of a new cybersecurity unit at the bank that will be tasked with establishing new policy guidelines and strategies to improve the protection of electronic financial data. Meanwhile, on 16 May, Mexico's federal attorney general's office (PGR) announced that it had launched an investigation into the incident and that it would work in conjunction with Banxico to try to determine the origin of the cyberattack and whether it came from within Mexico or from abroad. This is the first time that a Spei, which last year moved M\$270.4trn (US\$13.7trn), has been targeted by a cyberattack.

the country in general. The PRI candidate goes on to present a series of initiatives that he would implement to improve public security there if elected.

The initiative aims to employ more technology to stop the flow of firearms and laundered money from the US into Mexico and cut off the supply to Mexican criminal organisations. "We all recognise that the guns and money coming from the north promote insecurity in the country. That is why we are determined to build this technological wall, this wall of innovation...to take away the possibility that those weapons and that money can be used to harm Mexicans," Meade said after criticising the plans by US President Donald Trump to build a 'border wall' to stop the flow of illegal migrants and drugs from Mexico to the US.

Meade did not provide many details but said that the initiative involves incorporating the "best technological and intelligence elements" to shore up security on the border. Presumably, this would include not only modernising Mexico's border crossings but also using things like CCTV cameras to patrol the border. It is likely that Meade will flesh out his proposal in the coming days in the hope that it can gain more traction and boost his support in the polls (*see page 12 sidebar*).

Electoral violence continues to be a concern

The wave of deadly violence targeting politicians running in July's elections and members of their campaigns shows no sign of subsiding. Local and international organisations are warning that this may be undermining the electoral process. The latest warning came from Mexico's human rights commission (CNDH), which on 14 May called on the Mexican authorities to adopt all the necessary measures to guarantee the safety of all candidates taking part in the election.

The CNDH call came after it reported that 94 candidates, elected officials, political party leaders and their relatives have been killed for apparent political reasons so far during the electoral process. The CNDH said that the current atmosphere of "violence, polarisation, and intolerance" undermines the democratic process as it makes it "impossible for individuals to fully and freely exercise their rights".

The CNDH's call came after the European Union's ambassador to Mexico, Klaus Rudischhauser, said that while Mexico is a "stable" democracy, the high level of electoral violence and murder of candidates represents a "very serious challenge" to Mexico's democracy that "Mexican society has to resolve".

TRACKING TRENDS

MEXICO | Banking system under attack. Mexico's central bank (Banxico) confirmed this week that the interruptions in online banking transactions experienced between 27 and 30 April, were in fact caused by a cyberattack targeting the country's inter-bank electronic payment system (Spei). According to Banxico, the attack, in which hackers managed to steal some M\$300m (US\$15m) by transferring money held by some local private banks to fake bank accounts, affected Citibanamex, Banorte and Banjército, all of which reported problems in connecting to the Spei. Meanwhile the Mexican government's financial protection agency, the Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (Condusef), received 60 complaints from the public about problems encountered when trying to make online bank transfers on 30 April (*see sidebar*).

Lorenza Martínez, Banxico's Spei director, confirmed that, during the attack money was moved without authorisation using the Spei. She was adamant that it was not taken from customers' accounts but from the private banks themselves and that no customers have been left out of cash. According to Martínez, as soon as irregularities were detected in the Spei, all transactions were migrated to the alternative electronic payment system to prevent any more issues. She added that Banxico was working with the banks to try to trade the stolen funds and to mitigate any risks to the Spei.

Ortega sends out mixed signals as talks start**Legislative truth
commission**

The truth commission unveiled by Gustavo Porras comprises Francisco Uriel Molina Olúe, a priest; Jaime Francisco López Lowery, deputy rector of Universidad Nacional Autónoma de Nicaragua (Unan-Managua); Mirna Cunningham, a former FSLN activist and indigenous intellectual from the North Atlantic autonomous region (Raan); Adolfo Jarquín Ortel, a deputy human rights procurator; and Cairo Melvin Amador, an academic and intellectual.

A national dialogue process, brokered by the Catholic Episcopal Conference (CEN), is underway in response to the crisis stemming from the crackdown on anti-government protesters which began last month [WR-18-16]. This was made possible after President Daniel Ortega, who is facing the worst crisis since taking office in 2007, met a key demand of the CEN and protesters: the granting of a request made by the Inter-American Commission on Human Rights (IACHR) to visit Nicaragua and review the human rights situation. Yet major doubts persist as to the Frente Sandinista de Liberación Nacional (FSLN) government's commitment to the dialogue process given its failure to meet other key demands – not least an end to the crackdown on protesters by security forces which has left over 65 people dead and some 500 injured.

The government had come under mounting pressure to allow the visit by the IACHR following widespread rejection of the legislative truth commission unveiled on 6 May by Gustavo Porras, the head of the 92-member unicameral legislature (which like all other institutions is FSLN-controlled). With the investigators all FSLN allies (*see sidebar*), the international NGO Human Rights Watch (HRW) slammed the commission as a “farce” while the IACHR and Office of the United Nations High Commissioner for Human Rights had similarly raised doubts about its credibility.

Meanwhile the students, who have borne the brunt of the violence and since emerged as a leading opposition force, promptly rejected the commission, having previously insisted that it include representatives from organisations such as the local human rights group Centro Nicaragüense de Derechos Humanos (Cenidh) and IACHR among others [WR-18-17]. These concerns were shared by private sector lobbies such as Consejo Superior de la Empresa Privada (Cosep) and peasant movements such as the Consejo Nacional para la Defensa de la Tierra, Lago y Soberanía (“Consejo Nacional”), which opposes the proposed US\$50bn ‘Gran Canal’ project to link the country's Caribbean and Pacific coasts.

Having initially refused twice to allow an IACHR delegation to visit, the Ortega government backed down on 14 May having come under pressure from various sides. The ongoing national protests calling for the resignation of Ortega and First Lady and Vice President Rosario Murillo no doubt played a part. Meanwhile, a statement by the military issued on 12 May condemning the violence and expressing support for mediation by CEN president Cardenal Leopoldo Brenes was also considered significant given Ortega's efforts to bring the military and the police (PNN) under closer control of the executive (via reforms to military and police legislation in 2014). The statement by the military added that it is “convinced that dialogue is the only route to avoid irreversible [impact] on the people, the economy, national development and our security”.

Previous calls for dialogue by the military in recent days have been hailed as “huge news” by Edmundo Jarquín, one of the founders of the dissident Sandinista group, Movimiento Renovador Sandinista (MRS). Cited in the *Miami Herald*, Jarquín said that this “means Ortega will not be able to use the army as an instrument of repression”, noting that “the army came out during the protests, but strictly in a defensive posture, surrounding some government buildings. They didn't chase anybody. They didn't hurt anybody.”

As well as the widespread condemnation of the violence, both locally and internationally (*see page 15 sidebar*), a further source of pressure on Ortega

US concern

US senators have written a letter calling on the US Department of State to work with the IACHR and the Organization of American States (OAS) to advance a “credible investigation of recent events and to support protesters’ demands for a transparent and credible national dialogue”. It added that “we are deeply troubled by reports that Nicaraguan police have killed more than 40 protesters since the start of the protests”, describing these events as “emblematic of the impunity and arbitrary abuse of power present in Nicaragua”. The letter was signed by a bi-partisan group of senators including Marco Rubio (R-FL), Benjamin Cardin (D-MD), Ted Cruz (R-TX), Patrick Leahy (D-VT), Roger Wicker (R-MS), Richard Durbin (D-IL), and Tim Kaine (D-VT).

has been the impact on the economy – one of the fastest growing in Central America in recent years – and investment. This is a blow for Ortega who, having pursued pragmatic, business-friendly policies as part of efforts to keep the private sector on side (an alliance now in tatters), had successfully spun the country as an oasis of stability compared with its neighbours: in 2017 Nicaragua registered a homicide rate of seven per 100,000 inhabitants – the lowest in Central America.

In an interview with national daily *El Nuevo Diario*, published on 16 May, Mario Arana, the head of Nicaragua’s association of producers and exporters (Apen) put the economic losses as a result of the unrest at US\$233m – 1.6% of Nicaragua’s GDP in 2017. With hotels and restaurants experiencing 20% or less capacity, the impact on tourism is also a concern for the government given its importance to GDP. A report by the World Travel and Tourism Council (WTTC) estimates the direct contribution of travel & tourism to GDP in 2017 was 6%.

The start of dialogue

Following Ortega’s announcement that the IACHR would visit the country – its first visit since 1992 – CEN confirmed the dialogue process would begin on 16 May. In a communiqué released on 14 May, the CEN expressed hopes that the dialogue will address “structurally the issue of institutionalism in the country” with the “objective of moving towards the democratisation of the country”. This is an allusion to the key public concern underpinning the recent unrest – namely the government’s successive dismantling of democratic institutions – from its staging of elections widely slammed as fraudulent to its lifting of the constitutional ban on presidential re-election in 2014.

With Ortega due to attend the talks (along with other government representatives such as his economic advisor Bayardo Arce), other participants include the students (who, at the time of writing, had yet to confirm their delegates); Cosep president José Adán Aguerri and María Nelly Rivas, president of the US-Nicaraguan Chamber of Commerce (AmCham); Azahalea Solís, director of the women’s movement, Movimiento Autónomo de Mujeres; Carlos Tünnermann, of the civil-society group Movimiento por Nicaragua; unionists from the main workers’ union (FSLN-aligned) Central Sandinista de Trabajadores; José Idiáquez, the rector of the Universidad Centroamericana (UCA); and Telémaco Talavera, rector of the Universidad Nacional Agraria (UNA) and president of the Consejo Nacional de Universidades (CNU), the official coordinating and consulting body for all universities and vocational colleges (whom the students have called to be excluded from the talks as he is perceived to be an FSLN ally).

Yet the government’s exclusion of opposition figures from the talks has raised question marks about its commitment to the process. These include Ernesto Medina, the rector of the Universidad Americana de Managua (UAM), a government critic who is very popular among the students, while another government opponent, Francisca Ramírez, one of Consejo Nacional’s leaders, also complained that she had been left out of the talks.

A more serious concern has been the government’s failure to heed another demand set down by CEN and other civil-society groups – an end to the violent repression of protesters by paramilitary forces and shock troops. On 15 May, the day before the start of the talks, clashes between PNN agents and anti-government protesters in the northern department of Matagalpa left one person dead and at least 40 injured. As well as Matagalpa, protests have taken place recently in Managua, as well as Chinandega, León, Estelí, Rivas, Granada and Masaya (all capitals of eponymous departments). The violence in Masaya – which made headlines over the weekend of 12-13 May and resulted in at least two people killed – was of particular symbolic significance as a former FSLN stronghold and the birthplace of Augusto César Sandino, the revolutionary who fought against the 1927-33 US military occupation of Nicaragua and inspired the modern Sandinista movement.

POSTSCRIPT

Quotes of the week

“An unarmed revolution has started. If you want to break up this revolution, it is not going to be at gunpoint.”

The secretary of Nicaragua’s episcopal conference, Abelardo Mata, addresses President Daniel Ortega during the start of the national dialogue process.

“We are going to strike a good accord with the IMF. We can go to the Fund because we have nothing to hide. There are no people [in this government] carrying bags of cash to convents.”

Argentina’s President Mauricio Macri, alluding to the infamous actions of the former public works secretary, José López, under former president Cristina Fernández.

“Neoliberalism is the manual of failure.”

Miguel Lifschitz, the governor of the Argentine province of Santa Fe.

Cuba and EU hold milestone meeting

Less than one month after the inauguration of Cuba’s new president, Miguel Díaz-Canel, the country reached a landmark in its diplomatic relations with the European Union (EU) on 15 May. The EU-Cuba Joint Council met for the first time. Cuba’s foreign minister Bruno Rodríguez attended the meeting with Federica Mogherini, the EU’s high representative for foreign affairs and security policy. The meeting comes at a time when diplomatic relations between Cuba and the US under President Donald Trump, rhetorically at least, have returned to the status quo ante.

Rodríguez said the EU-Cuba Joint Council showed “the will on both sides to continue to consolidate the bilateral relationship we mutually agreed on the basis of reciprocity and equality of sovereignty”. Mogherini said both sides were keen to “construct a closer relationship based on open and frank dialogue and mutual respect and effective cooperation”. They agreed to implement the political dialogue and cooperation agreement in place provisionally since November last year.

Five sectoral dialogues will underpin future cooperation: countering the proliferation of weapons of mass destruction; controlling conventional arms and combating the illicit traffic of small arms; dealing with unilateral coercive measures; implementing the United Nations 2030 Agenda for Sustainable Development; and human rights.

In addition to this, the meeting led to a discussion of bilateral trade and investment opportunities, as well as forging closer cooperation in areas such as energy and agriculture. In a cabinet meeting earlier this month, President Díaz-Canel highlighted these as two of Cuba’s most pressing problems. He called for increased agricultural production to help bring prices down, and clean energy as “fundamental for sustainable development” (not least because of the Venezuelan government’s precarious state).

The EU and the Cuban government signed their first ever financing agreement. The European Commission will contribute €18m (US\$21.2m) to Cuba’s energy sector, focusing on renewable energy projects and energy efficiency targets.

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