

# latin american weekly report

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## Policy change on coca eradication in Colombia?

Coca leaf cultivation (and the associated cocaine production) has reached record levels in Colombia, already the world's largest producer. The news may sharpen the debate between advocates of long-term socio-economic development and crop substitution programmes (including outgoing President Juan Manuel Santos) and those who favour tougher short-term eradication measures and the old 'war on drugs' approach (including the president-elect, Iván Duque).

According to the US Office of National Drug Control Policy (ONDCP), the coca cultivation area in Colombia rose by 11% to 209,000 hectares (ha) last year, the highest it has been in a decade. The inferred cocaine production from that crop was estimated to have grown by 19% to 921 tonnes. The director of the ONDCP, Jim Carroll, said the figures were "unacceptable". He said that coca cultivation and cocaine production fell every year between 2008 and 2012 but had been on the increase every year since then.

Colombia and the United Nations Office on Drugs and Crime (UNDCP) use a different measurement methodology (known as the Sistema Integrado de Monitoreo de Cultivos Ilícitos, Simci), but the 2017 report (to be published shortly) will also show record coca cultivation last year – up by 26% to 188,000 ha.

US-based analyst Adam Isacson of the NGO Washington Office on Latin America (WOLA) has pulled together the available data in a single graph, which, he points out, exemplifies the complexity of the subject (*see box overleaf*).

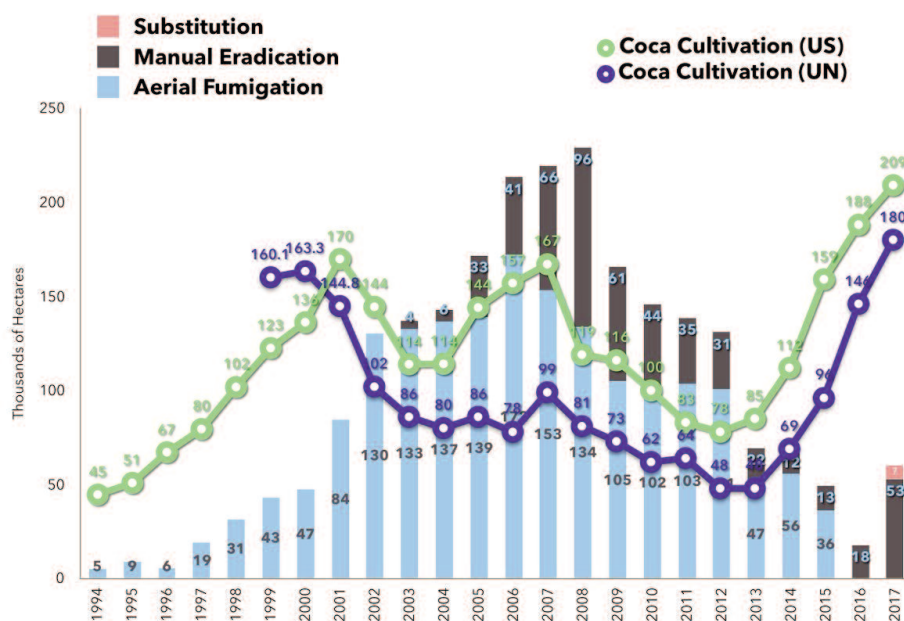
Isacson reaches three main conclusions from the data. Firstly, aerial herbicide fumigation, which was ceased on health grounds in 2015, has only been able, as he puts it, to reduce coca cultivation temporarily from "insanely high" to "moderately high" levels, after which farmers adjust and bring cultivation back up to "high" levels. Secondly, manual eradication appears to be the most effective, but it is dangerous (not least because of land mines) and costly; again, once the eradicators have left farmers may re-plant. Thirdly, a really lasting reduction may require a strong and continuing government presence in areas of the country that have been previously controlled by guerrillas, paramilitaries, and drug gangs. No government has yet achieved this.

President Santos has been a long-standing opponent of 'war on drugs' policies, but on some criteria his alternative approach has been an unmitigated failure. The increase in production to record levels is one sign of that. It can be argued, however, that the entire peace plan Santos agreed with the Fuerzas Armadas Revolucionarias de Colombia (Farc) is itself a long-term approach to voluntary reduction in drug cultivation.

## Trump calls Duque

Less than two hours after the release of the ONDCP report, President-elect Duque said that he had received a phone call from US President Trump congratulating him on his victory. Duque said that Trump had expressed complete support for his proposed “security and justice agenda, and full frontal war on drug-trafficking”.

## 24 years of coca cultivation and eradication in Colombia



Sources: U.S. Department of State <<http://1.usa.gov/1eAAutY>>, White House <<http://bit.ly/2tBhGH2>>, UNODC <<http://bit.ly/2n3zKc5>>, El Tiempo <<http://bit.ly/2rghKuB>>.

The Farc accord aims to pacify the violence-torn drug-growing areas of the country and bring in socio-economic development plans to give rural communities real alternatives. But the results, good or bad, will most probably not be seen for at least a decade. It is also possible that drug gangs, paramilitaries, and Farc dissidents will simply occupy the spaces left by the rebels who have laid down their weapons.

Now in the final weeks of his presidency, Santos has implicitly acknowledged some of the shortcomings with existing policy by authorising the use of drones to spray coca leaves at low altitude with glyphosate, the controversial herbicide. Santos said the drones could be used in a much more targeted way than aeroplanes, simulating ground fumigation and reducing health risks. The defence ministry presented a report outlining the advantages of drones to the national drugs council (Consejo Nacional de Estupefacientes, CNE) on 26 June. Santos also announced an increased coca crop eradication target (110,000ha) for this year.

A key question is how policy will change when President-elect Duque takes office on 7 August. Both Duque and the prosecutor general, Néstor Humberto Martínez, support aggressive eradication measures. Duque has said he agrees with US President Donald Trump’s approach (see sidebar). Last year Trump threatened to “decertify” Colombia (a move that would cut US aid) because of its failure to reduce coca cultivation. Duque has expressed support for aerial fumigation. During the campaign he suggested that newly recruited soldiers might spend the first three months of obligatory military service on manual coca eradication tasks.

Unlike Santos, who has stressed the global nature of the drug problem and the responsibilities of drug-consuming countries as well as those of the drug-producing ones, Duque has tended to focus mainly on the eradication approach within Colombia itself. Detractors fear that Duque will step up a largely military and repressive approach to the drug problem, one that will risk escalating the associated violence. They point out that between 2000 and 2015, through Plan Colombia and other largely military-focused programmes, the country received US\$10bn worth of US aid but proved unable to reduce cocaine production, which ultimately continued to grow.

## Orange economy

President-elect Duque is passionate about the 'orange economy' of entrepreneurship, creative industries, and innovation. Duque authored a piece entitled 'IndignAcción. Ideas para la Colombia del futuro', seeking to embrace the opportunities provided by the 'orange economy' to create a high rate of GDP growth, added value to the economy, and boost employment. Duque has proposed a fiscal reform to reduce the tax burden on business, reduce state spending, launch a major campaign to tackle tax evasion, and a 10-year income tax exemption for productive investment in the agricultural sector.

## Which pre will call the shots?

An anecdote picked up by some major newspapers is at the centre of speculation over what kind of government Colombia will get when Iván Duque is sworn in on 7 August. It casts some tangential light on a clutch of intertwined and unanswered questions, including the role of centrist parties, Duque's relationship with former president Álvaro Uribe (2002-2010), and the future of the peace settlement with demobilised Farc guerrillas.

The anecdote relates to talks between the outgoing and incoming governments over the transitional justice tribunals (JEP), a central part of the peace agreement. The outgoing government of President Santos envisaged the JEP as providing a mechanism to reduce the severity of the punishment for crimes committed by former guerrillas and members of the security forces, as part of the overall settlement of Colombia's long conflict. Iván Duque, as incoming president, has said he wants to review and make changes to the JEP. Duque also wants to establish whether the main law is constitutional. In the meantime, an enabling or procedural bill to implement the JEP is up for debate in congress. Until this is passed the JEP cannot begin to hear cases.

According to an article in Spanish newspaper *El País* by Ariel Ávila, a critic of Duque, the president-elect and Santos agreed to consult Alejandro Linares, the president of the constitutional court on how to proceed, and in particular on whether the new government needed to resolve the constitutional issue before putting the JEP procedural bill to the vote. According to Colombian paper *El Espectador*, Linares indicated the bill could be approved. News of this 'green light' and a request by Duque to his congressional supporters and allies to canvas opinion on how to move the procedural bill forward reached a committee meeting of members of Congress.

Senator Paloma Valencia, an influential member of Duque's Centro Democrático (CD) who was attending the meeting was surprised by the instruction, and immediately made a phone call which opened with her saying "Hola, pre" (an abbreviation for 'Presidente'). Some of those present assumed she had phoned Duque, the president-elect, to double-check his instructions. But it transpired she was actually talking to Uribe, the former president.

From that conversation, it is alleged, emerged three major political conditions on advancing the JEP. These are first, that Farc members responsible for serious crimes be excluded from any political participation; second, that a special court be created to judge military personnel; and third, that there also be a special procedure for third parties, such as landowners who aided paramilitary groups. For some, the conditions could be deal breakers.

Santos pointedly commented, "I hope that you vote on the JEP procedural law. I'm leaving government and I leave peace in your hands." In the *El País* article Ávila concluded that even before taking office Duque may already be looking "more like a puppet than a president" as Uribe, his mentor, retains special influence. Ávila suggested the relation between the two men might turn out to be "something like the relation between Vladimir Putin and Dmitri Medvedev in Russia".

Of course, this is a partisan assessment, but it does highlight the need for the president-elect to assert his own authority. Ironically, Santos himself was once a protégé of Uribe's who later struck out on his own (the two men parted company over whether to make peace with the Farc, and ended up as political enemies). At this early stage some speculate that rather than modelling himself on Medvedev, Duque might be looking to France's Emmanuel Macron – a young and modernising politician of the centre-right, ready to shake up the political old guard.

It may be significant that the CD responded angrily to a 26 June statement by the UN Verification Mission in Colombia, which called on all politicians to "remove obstacles that continue to impede Colombia's peace process from fulfilling its commitments to justice and victims' rights". The party issued a statement saying it was not erecting obstacles, only "correcting errors" in the name of a majority of Colombians. Following this exchange Duque met Jean Arnault, head of the UN mission in the country. No details of their discussions have been released. The president-elect also met the head of the JEP, Patricia Linares, and had what he called a "constructive" dialogue. Duque has promised to broker a new consensus on the JEP procedural bill. How he goes about achieving this will also be an early indication of his ability to form a working centre-right majority in congress.

## EU widens sanctions

**The European Union (EU) has widened its sanctions to include another 11 top Venezuelan government officials who are now banned from travelling to any of its member countries; any assets they hold in the EU will also be frozen.**

The 11 include Vice-President Delcy Rodríguez and the man she recently replaced, Tareck el Aissami, currently serving as vice president for the economic area, as well as a former vice president Education Minister Elías Jaua, one of the principal ideologues of the Bolivarian Revolution. They are additional to seven officials already listed for sanctions back in January, including Diosdado Cabello, the second-most powerful politician in the country after President Nicolás Maduro after his appointment as president of the national constituent assembly (ANC).

The EU accuses all 18 of responsibility for undermining democracy and for serious human rights violations. At the same time, it is trying to calibrate sanctions in such a way so as to encourage the Caracas government to negotiate and restore democracy (*see sidebar*).

The Venezuelan government reacted with a foreign ministry statement angrily rejecting the tightening of EU sanctions as a violation of Venezuelan sovereignty, which also conspired against domestic political dialogue. The measures, it added, showed that the EU had “subordinated” itself to the desires of US President Donald Trump.

**Sanctions**

Josep Borrell, the Spanish foreign minister, said the application of sanctions by the EU “does not in any way exclude a desire for dialogue”. He also admitted, however, that “the crisis will not be easily resolved through sanctions”.

**Coup attempt in May?**

An attempted military coup against President Maduro failed in May, *Bloomberg* news agency claimed in a report on 27 June. According to its sources, scores of captains, colonels and generals had taken part in the attempt, code-named ‘Operation Constitution’.

The aim had been to capture Maduro and stop the 20 May presidential election. It was described as the biggest threat to Maduro in his five years in office. Colombian and US officials had knowledge of the attempt but did not provide active support, *Bloomberg* claimed.

The rebellion failed before it could get under way as government forces identified and arrested several dozen key participants who now face charges of treason in military courts.

The *Bloomberg* report tallies with allegations by the opposition leader Julio Borges in late May that more than 200 junior officials in the Bolivarian armed forces (FANB) had been “arrested and tortured...by Cuban officials” for “rebellion” ahead of the elections [[WR-18-20](#)], but if some of the top brass were also involved it would be a more serious concern for Maduro.

Despite the rebellion, Maduro continues to hold sway over the four branches of the FANB, offering officers key positions at the state oil company Pdvsa and control over lucrative food distribution companies. Retired generals hold nine out of 34 cabinet posts, as well as 11 out of 23 state governorships. And there are in excess of 2,000 active generals in the FANB, more than any other country in the world.

This is all testament to Maduro’s determination to keep the FANB onside, which also explains why he promoted Cabello to head the ANC. Maduro is not a military man like Cabello. And Maduro needs the FANB now more than ever, with no end in sight to the country’s economic quagmire and social upheaval.

**Macri's respite brief**

This week threw up an intriguing parallel between the performance of Argentina's government and the national football team. President Mauricio Macri was widely heralded for transforming Argentina's fortunes in the first two years of his term but with its economic and financial travails laid bare the Macri administration was compelled to return to the International Monetary Fund (IMF). The football team, also seemingly a success story, sank to a 3-0 defeat to Croatia last week in which it looked out of ideas and on the verge of exiting at the group stage of the Fifa World Cup for only the second time since 1962. But just as Macri bounced back after the index provider Morgan Stanley Capital International (MSCI) decided to upgrade Argentina so the football team rallied to qualify for the knockout stage of the Cup. Both, however, have a long way to go to complete their comeback.

President Macri said the decision by MSCI to upgrade Argentina from the status of frontier market to emerging market [WR-18-24] would clear the way for up to US\$4.5bn in additional foreign investment from international institutional investors previously locked out of Argentina by internal regulations barring them from involvement in frontier markets.

The vote of confidence in Argentina by MSCI also buttresses Macri politically. The so-called G6 of Argentina's largest business associations, several of which have difficult relations with the Macri administration, notably the Unión Industrial Argentina (UIA), released a joint statement hailing the decision by MSCI for providing "an excellent opportunity to diminish uncertainty and improve the country's macroeconomic stability".

No shortage of tests lie ahead for Macri before presidential elections in October next year but this was a good start. An adverse decision by MSCI would have been economically and politically damaging for Macri days before the general strike organised by the umbrella trade union movement Confederación General del Trabajo (CGT) on 25 June.

As it was, Macri gained a spring in his step. While swearing-in his new energy and production ministers, Javier Iguacel and Dante Sica respectively, Macri took aim at his predecessor Cristina Fernández (2007-2015). "If you could single out one mistaken public policy in the last government it would be energy policy," Macri said, adding that Juan José Aranguren, whom Iguacel replaced, had found that "everything was upside down" when he assumed the position in December 2015 and was forced to take a series of unpopular decisions, raising energy tariffs sharply, to try to recover Argentina's previous status as a net exporter of energy and phase out unsustainable subsidies.

Iguacel will have to slow down the rate of increases to energy tariffs despite the government's commitment with the IMF to wipe out the fiscal deficit by 2020. If not, there is a strong chance Macri will fail in his bid for re-election next year. The domestic political tensions generated by the IMF Stand-By Arrangement (SBA) were embodied in the general strike. The CGT, divided and pushed onto the back foot by Macri for two years, sought to capitalise on the government's travails, and widespread public hostility to the IMF deal, with a strike demanding a change in economic policy and rejecting the "brutal adjustment".

This was the third general strike under Macri, but much larger than the previous two. Trains, buses, and the underground rail system stopped, albeit taxi services were running as normal as the Federación Nacional de

**Salaries**

The labour minister, Jorge Triaca, said the general strike called by the CGT was "unnecessary at the moment", and was designed to weaken the government and cause instability. Triaca faces the tough task of negotiating outstanding salary deals with certain trade unions while trying to resist pressure from others to renegotiate.

## Labour reform

Hugo and Pablo Moyano, who run the truck drivers' union Fedcam, said they would reject any attempt by the Macri administration to push through a labour reform. They complain that it is designed to limit the influence of the unions and undermine workers' rights.

Conductores de Taxis did not participate in the strike. Planes were also grounded, with the majority of national and international flights cancelled, along with maritime transportation. Hospitals were only open for emergencies, banks and state schools closed.

The most combative of the three CGT leaders, Juan Carlos Schmid, claimed it was "the most important strike for eight years". The two factions of the country's second-largest trade union collective Central de Trabajadores de la Argentina (CTA) and CTA-Autónoma also participated in the strike.

Schmid said there was no need for a mobilisation to complement the strike as a sufficiently powerful message could be sent to the government without one. But members of far Left political parties went on to the streets to block access to the country's principal cities, especially in Buenos Aires.

Macri condemned the general strike, saying it would not contribute to anything, and was needlessly damaging. The treasury and finance minister, Nicolás Dujovne, said it would cost the Argentine taxpayer Ar\$29bn (US\$1bn). "The only way to take our country forwards is by working," Dujovne added.

The political cost of the first two strikes was arguably borne more by the CGT than the government, which accounted for the lack of appetite among some to back them. But the IMF deal is a game changer and Macri will now face much more restive trade unions. His divide and rule strategy with the unions will be much more difficult to implement from now on, as will his promised labour reform proposals, while his efforts to force trade union reform will lose all momentum.

Trade unions that agreed to salary increases of under 15% earlier this year now want to renegotiate. Inflation for the first five months of 2018 stood at 11.9%. This is at the top end of the scale the Macri administration was promising as the inflation figure for the whole year. The sharp depreciation of the peso has also hit household purchasing power, and as such domestic consumption. "Under Cristina everybody ate, but not now," said Hugo Moyano, who runs the powerful truck drivers' union Federación Nacional de Trabajadores Camioneros (Fedcam) through his son Pablo.

## BRAZIL | DIPLOMACY

### Pence visit achieves little

**One of the remarkable features of the last two years is how little the US and Brazil – respectively the most powerful countries in North and South America – have had to say to each other. A two-day visit to Brazil by US Vice President Mike Pence has not really changed that.**

Roll back the clock some two to three years, and under the old status quo, Brazil was widely seen as the diplomatic leader of South America, and a key strategic partner for the US. On trade and security Washington and Brasília had a lot to talk about. But no longer. From 2016 onwards, as it struggled with debilitating corruption scandals and impeached its incumbent President Dilma Rousseff (2011-2016), Brazil became deeply inward looking and politically polarised. That continues, with the administration of President Michel Temer now a lame duck, as attention focuses on the presidential elections due in October (the victor will take office in January 2019).

Since President Donald Trump moved into the White House the US has also turned inwards, taking protectionist positions on trade, and focusing on building walls and reducing inward migration. Because of Trump's focus on his 'America First' electoral constituency, the desire to reduce migration from Mexico and Central America and to oppose the authoritarian leftist governments in Venezuela and Cuba has dominated Washington's agenda for Latin America.

## Venezuela

Vice President Pence spoke to Venezuelan refugees and local residents in a shelter in Manaus. “I’m here to bring a message on behalf of President Donald Trump and the American people. We are with you, we stand with you, and we’ll keep standing with you until democracy is restored in Venezuela,” Pence said, blaming the “failed leadership” of Venezuela’s President Nicolás Maduro for the country’s economic and humanitarian crises.

Vice President Pence is the most senior US official to visit Brazil in recent years. A trip had originally been planned for May, but was postponed due to US talks with North Korea. It appears that during the two-day visit little time was dedicated to trade matters. The US has imposed additional tariffs on aluminium and steel imports, although so far Brazil has been exempted from a 25% tariff on steel exports to the US.

Brazil’s two most important trading partners are China and the US, and the prospect of a US-China trade war could have serious implications for the South American country. Some analysts believe that, mixed in with investor worries over the elections, it could even tip Brazil back into recession.

In spite of this, migration, which is not such a big issue for Brazil, remained top of the agenda, pushing trade issues to one side. Immediately after meeting President Temer on 26 June Pence used a press conference to send a message to Central Americans. “Don’t risk your lives or the lives of your children by trying to come to the United States on a road run by drug smugglers and human traffickers. If you can’t come legally, don’t come at all,” Pence said.

Temer did criticise US ‘zero tolerance’ immigration policies that have led to the forced separation of some parents and their children, including a few Brazilian families. Pence, on the other hand, praised Brazil for supporting economic sanctions against Venezuela and for taking in an estimated 50,000 Venezuelan refugees. Pence visited a refugee centre in Manaus on 27 June (see sidebar). Pence announced US\$10m in aid to support Venezuelan refugees, of which US\$1.2m will be channelled through Brazil.

Overall, the visit was light on substance. Both men signed a US-Brazil ‘Open Skies’ agreement, allowing unlimited bilateral flights between the two countries, but the document is not new – negotiations on the issue began as far back as 2011.

More intriguingly, Temer and Pence signed an understanding on cooperation in space. At issue is the possible US use of Brazil’s Alcântara rocket launch site near the Equator in northern Brazil, a location that cuts the overall cost of delivering satellites into space.

A Brazilian foreign ministry official said discussions were at a “very preliminary” stage with negotiations focusing on how to simultaneously protect Brazilian sovereignty and US intellectual property. In the eyes of Brazilian public opinion this is a sensitive subject.

An attempt to reach a deal with the US on Alcântara during the presidency of Fernando Henrique Cardoso (1995-2003) was blocked by the federal congress, which judged it to infringe Brazilian sovereignty. Whether matters progress further this time around will depend on the political colours of the next Brazilian government in 2019. The next Brazilian head of state will also face the challenge of having to decide whether or not Brazil can engage more productively with the US.

## BRAZIL | POLITICS & JUSTICE

### Dirceu release: a precedent for Lula?

The second circuit of Brazil’s supreme court (STF) took a 3-1 decision on 26 June to release a senior former cabinet minister, José Dirceu, pending the outcome of his appeal against a sentence of 30 years and 9 months for corruption, money laundering, and illicit association. The ruling could set a favourable precedent for former president Lula da Silva (2003-2011), also currently serving a prison sentence.

### Dirceu's release

STF Justices José Antonio Dias Toffoli, Ricardo Lewandowski, and Gilmar Mendes took the view that José Dirceu should be released because there was reasonable cause to believe that subsequent appeals might eventually succeed.

Dirceu is a disgraced former right-hand man to Lula. He was president (1995-2002) of the Partido dos Trabalhadores (PT), the left-wing party Lula founded, and went on to serve as Lula's chief-of-staff to the presidency (2003-2005). Notoriously, Dirceu was a key player in Brazil's two major corruption scandals of the last decade: the 'mensalão' scandal (cash-for votes in congress) and 'Lava Jato' (contract rigging and political bribes in the state-run oil company Petrobras).

Dirceu has been in prison since 18 May when a regional court, TRF4, rejected an appeal on his behalf. The court confirmed the earlier sentence, and ordered his imprisonment invoking a 2016 STF decision that allows a sentence to be executed once a defendant's first appeal has been unsuccessful, even though further appeals may be in the pipeline.

Despite this, on 26 June the second circuit of the STF accepted a habeas corpus writ and ordered Dirceu's release (*see sidebar*). The dissenting vote came from Justice Edson Fachin, who is in overall charge of the 'Lava Jato' case within the STF, and who, according to press reports, is finding himself in the minority in a number of recent rulings that have ended up favouring 'Lava Jato' defendants.

A key issue is how this may affect Lula himself. The former president was imprisoned on 7 April in the southern city of Curitiba after a first appeal against his sentence of 12 years and one month for corruption was turned down. He faces a further six corruption cases.

Lula's imprisonment has not stopped the PT from nominating him as its presidential pre-candidate, nor has it prevented him from being the frontrunner (with around 30% of voting intentions according to recent opinion polls) ahead of elections on 7 October.

The legal battle may determine how Lula and the PT uses its influence. In another positive development for the party, on 19 June the STF dismissed corruption charges against PT party president Senator Gleisi Hoffmann. The STF said there was insufficient evidence that Hoffmann had accepted illicit campaign funding in the 2010 elections.

Lula's lawyers, who have filed many appeals, are seeking two main objectives. The first is to get Lula released from prison pending further appeals: at large, Lula is likely to be a major electoral asset for the PT, whether as a candidate or simply as a kingmaker endorsing someone else. The second is that they would like him to be able to register formally as a presidential candidate when inscriptions open in August.

The balance of probabilities is that they will not achieve the second objective and that Lula will be prevented from running, since existing legislation specifically bans citizens whose criminal convictions have been upheld on first appeal from running for elected office. Under the 'Lei da Ficha Limpa', ironically signed into law by Lula himself in 2010, those who have had a guilty sentence upheld on appeal cannot stand for elective office.

In formal legal terms, the Dirceu ruling does not set a precedent, as each case is judged on its merits. But Justice Fachin clearly fears the majority of his colleagues in the second circuit may be inclined to release Lula if the issue comes before them.

An appeal for Lula's release had in fact been due to be heard in the second circuit on 26 June, but Fachin used an administrative procedure to have the case switched to the full 11-member STF, where the balance of forces may be different. Bearing in mind that the STF has a winter break in July and it takes around 15 days to get a hearing scheduled, this means that Lula's case will probably not be heard until August.



## Enigmatic outlook for PT

The political outlook for the PT and former president Lula is uncertain. But the way that uncertainty plays out may be the single most decisive factor in the outcome of this October's presidential contest. Although the PT insists it has no 'Plan B' to nominate another candidate, it is widely expected that Lula will ultimately endorse someone else, and that this endorsement could swing the election results.

### Lula the football commentator

Being locked up has not prevented former president Lula from experimenting with a new role. He has been sending his written comments on the Brazilian team's progress in the Fifa World Cup to his friend, sports radio and television journalist José Trajano, who has been reading them out on air.

On the Brazilian team's first tie with Switzerland, Lula said "the truth is that we did not play well and the opponent did what they had to do, which was to block Brazil".

Under Brazilian law prisoners cannot give media interviews, but they have a right to write letters. Lula's football letters, while apparently non-political, do give the former president valuable air time in a country where the links between football and politics are always close.

Lula is not alone in trying to seize on public interest in the World Cup. In Venezuela, which did not even qualify for the competition, the central bank (BCV) released an advertisement in which a BCV team in a blue and white strip play against a team in a black kit emblazoned with names such as 'economic blockade', 'international boycott', and 'currency attack'. The goalkeeper of the black-shirted team, called 'economic war', concedes a goal fired past him by a BCV striker.

## TRACKING TRENDS

**ARGENTINA | GDP growth downgraded.** Speaking during an address to the federal senate on 27 June, Argentina's cabinet chief Marcos Peña announced that the government was revising the country's annual growth rate down from 3% to 1%. Peña cited the impact of the drought on the agricultural sector, the rising international oil price, and turbulence in financial markets.

Peña said that the drought was responsible for slashing one percentage point off GDP growth for 2018, due to a loss of some US\$8.5bn in exports from the agricultural sector. He said that rising oil prices had caused "considerable" negative repercussions, while the volatility of international capital markets had "put pressure on the currency", compelling the government to seek a US\$50bn Stand-By Arrangement (SBA) with the International Monetary Fund (IMF) to stave off "crisis".

The economy grew by 2.4% in the first four months of the year, down from 3.6% in the first quarter. The national statistics institute (Indec) released figures this week showing that economic activity in April was down by 0.9% on the same month a year earlier and by 2.7% on March.

**PARAGUAY | Congressional pension controversy.** Finance Minister Lea Giménez denounced the decision by Paraguay's lower chamber of congress last week to approve a bill under which retired legislators would receive an attractive retirement package. Giménez said that the decision by members of congress to grant themselves more benefits would not only affect the sustainability of the domestic pensions system but also further erode public support for Paraguay's political class. The pensions deal, dubbed 'VIP retirement' by detractors, would see members of the national congress or Parlasur, the parliament of the Southern Common Market (Mercosur), who have served two terms in office, receive a pension equivalent to 60% of their average salary in their second term, a figure that rises to 80% for those who have served for three terms upon retirement.

**Abandoned bids**

According to the INE figures so far, 341 candidates that had registered to take part in the federal legislative elections have decided to abandon their bids citing security concerns, with the remainder being state and municipal level candidates. The figures show that the candidacy withdrawals are concentrated in four states: Oaxaca (306 withdrawals), Estado de México (225), Guerrero (190), and Chihuahua (80). Yet the latest candidacy withdrawals came on 22 June when 78 candidates in Tamaulipas state announced that they were abandoning their bids after receiving death threats.

**No easing of electoral violence as campaign closes**

The current electoral process leading up to the 1 July general election is now officially the most violent in Mexico's history. Since the start of the electoral process in September 2017, a total of 129 politicians and political activists have been killed in the country in suspected electorally motivated attacks. Of the total number of those killed, 48 were actual candidates. In the run-up to the last general election in 2012 nine politicians were killed, one of whom was a candidate. The unprecedented level of violence is sparking serious concerns that the current electoral process and Mexico's democracy itself are being undermined by the violence, which has largely been linked to organised criminal activity. Yet the Mexican authorities appear incapable of providing the necessary security guarantees for all candidates.

Several political murders have taken place in the last fortnight. Fernando Ángeles Juárez, the mayoral candidate of the left-wing Partido de la Revolución Democrática (PRD) in the municipality of Ocampo, Michoacán state, was shot dead by unidentified gunmen wearing fatigues on 21 June. Juárez was attacked as he left his home in Ocampo and shot at point blank range. The nature of the attack led the authorities to suspect that it was the work of organised crime. Local press reports noted that Juárez was not known for having links to organised crime but on the contrary was seen as a fierce critic of local criminal organisations.

Just 24 hours earlier, another mayoral candidate was killed in Michoacán. Independent candidate Omar Gómez Lucatero was also gunned down by unidentified assailants as he drove around in his hometown of Aguililla. The western state of Michoacán, one of Mexico's most violent, has been overrun by local criminal gangs in recent years and this is believed to be the reason why five candidates have been killed there during this electoral process even though there is a significant federal security presence in the state.

Significantly, in the wake of Juárez's murder, the state police arrested the entire Ocampo municipal police force (28 officers) after some of its members were implicated in the murder. The suspicion is that the Ocampo municipal police force may have been infiltrated by a local criminal organisation and that rogue officers were involved in Juárez's killing. Meanwhile, on 25 June the Michoacán attorney general's office announced the arrest of three other individuals (all civilians) in connection with Juárez's murder. However, the motives behind the crime and the identity of the criminal groups that could be behind it remain unknown. A handful of drug trafficking organisations (DTOs) operate in Michoacán and have been involved in a turf war for control of the state's Tierra Caliente region, where both Ocampo and Aguililla are located.

Michoacán is not the only place where candidates are being murdered. The most recent political murder took place on 25 June in the south-western state of Oaxaca. Emigdio López Avendaño, a local legislative candidate for the leftist Movimiento Regeneración Nacional (Morena), was killed in another armed attack. This came when López and some of his collaborators were out campaigning in the Oaxaca municipality of San Vicente Coatlán. The assailants shot at López and his party, killing the candidate and four of his companions, and wounding a further two. The Oaxaca authorities are speculating that López's murder was the work of an organised criminal group although they have failed to provide more details. Like Michoacán, Oaxaca is another state in which various DTOs are known to operate and which has seen an upsurge in violence in recent years.

## Security guarantees

Interior Minister Navarrete pointed out that the federal government has been providing special security protection to 214 candidates running in the general election that have requested this via the INE. Navarrete said that these candidates were spread across 16 states and that they had been assigned personal police escorts as well as being given special transport arrangements. In total, 50 of the candidates under government protection are running for municipal posts (although the identities of some of those under protection has not been revealed on their request). In addition, Navarrete noted that the four presidential candidates are also receiving special federal government protection.

## Concerns

The majority of the candidates and politicians murdered in the current electoral process (27) were municipal and mayoral candidates. Local civil-society groups and analysts have long warned that it is politicians at the municipal level that are more directly exposed to organised crime and that they are increasingly being targeted by the criminal groups intent on infiltrating local governments (as they have done with local police forces) to exert full control over their area of influence. It is believed that the criminal groups' strategy is to offer money to candidates to finance their campaigns on the condition that once elected they turn a blind eye to their illicit activities and that if a candidate refuses to accept the criminal group's support then they are cowed into abandoning their bid or murdered.

The high level of violence observed in the current electoral process appears to support this hypothesis. Data from a local security consultancy firm, Etelekt, shows that in addition to the murders there have been 543 acts of aggression against politicians, candidates and pre-candidates recorded during the electoral period to date, amounting to a rate of 2.7 acts of aggression a day (and 1.5 murders a day). Figures from the national electoral institute (INE) show that over 1,000 candidates decided to abandon their bids citing lack of security guarantees (see sidebar). Meanwhile, a new study released on 22 June has found evidence that drug trafficking money is increasingly being used to finance electoral campaigns in the country.

The 'Dinero bajo la mesa. Financiamiento y gasto ilegal de las campañas políticas en México' ('Money under the table. Financing and illegal spending in political campaigns in Mexico') study was authored by Luis Carlos Ugalde, the former head of Mexico's federal electoral institute between 2003 and 2007 before it became the INE in 2014. Ugalde has looked at political campaign spending data in recent years and found that a significant proportion of irregular campaign financing for this comes from criminal organisations and DTOs. Ugalde notes that this phenomenon is particularly marked at the municipal level in states where there is strong DTO presence such as in Michoacán, Chihuahua, Tamaulipas, and Guerrero.

Indeed, Ugalde says that in some of the municipalities where DTOs are present, up to 100% of all illegal campaign financing comes from organised crime. In municipalities where DTOs are not present, this figure falls to 70% with the remainder coming from the deviation of public funds or from obscure private funds. The alarming electoral violence statistics and the data compiled by Ugalde fuel concerns that organised crime is having a significant influence in the electoral process and that it can no longer be considered to be free and fair. Pointedly, Etelekt director Rubén Salazar has warned that it seems that "violence is being used as the most effective way to secure public office".

Salazar, who maintains that the violence is also the product of the deterioration of the country's political environment marked by increased confrontation among political parties and public disaffection, has heavily criticised the authorities for failing to adopt appropriate measures to address the situation. In particular, Salazar argues that the planning and organisation of the current electoral process has been poor, and this has exacerbated the violence. He says that neither INE nor the federal authorities in general identified high risk areas in the country, and failed to adopt special measures to improve security in these areas or even defer elections if full security guarantees could not be provided.

The federal interior minister, Alfonso Navarrete, denied that the high levels of violence have undermined the electoral process. Navarrete argues that it is a reflection of the general upsurge in violence in Mexico, which the government has been seeking to address. He also insisted that federal authorities were offering all the guarantees (see sidebar) to ensure that the electoral process is free, transparent, and fair.

## Anaya loses coalition support

### Polls

According to the latest Consulta Mitofsky poll, published on 24 June, Ricardo Anaya is currently trailing in Andrés Manuel López Obrador's wake with 20% of voting intentions. Meanwhile, José Antonio Meade Kuribreña, the presidential candidate of the ruling PRI, remains in a distant third on 17.7%. The Mitofsky poll puts the number of undecideds or those that would not reveal for whom they would vote at 21.5%.

With Mexico's general election just days away, some members of the Right-Left Por México al Frente have publicly withdrawn their support for Ricardo Anaya, the coalition's presidential candidate. Anaya continues to trail in second place in the opinion polls (*see sidebar*) behind Andrés Manuel López Obrador, the presidential candidate of the left-wing Movimiento Regeneración Nacional (Morena). But the announcement by factions of the leftist Partido de la Revolución Democrática (PRD), one of the main members of Por México al Frente, that they would not be supporting Anaya's bid but rather voting for López Obrador may have delivered a decisive blow to Anaya's electoral chances.

The Por México al Frente electoral alliance between the PRD, the leftist Movimiento Ciudadano (MC) and the right-wing Partido Acción Nacional (PAN), to which Anaya belongs, has always looked uneasy. PRD and MC party factions have voiced misgivings about supporting Anaya's presidential bid, arguing that this could alienate their traditional support bases. While Anaya has run a strong campaign, at no point has he come close to overtaking López Obrador in the opinion polls; and with the campaign drawing to a close it seems that some in the PRD decided that the time was right to jump ship and support a candidate with whom they had always felt more affinity.

Thus, on 24 June, Alejandro Sánchez Camacho, the national coordinator of the Izquierda Democrática Nacional (IDN) faction of the PRD, announced that it was withdrawing its support for Anaya's bid and backing López Obrador instead. Sánchez said that the decision was taken after a meeting of the IDN leaders from 25 states. Sánchez explained that the IDN leaders believed that the PRD leadership's decision to enter into an alliance with the PAN and back Anaya has been "catastrophic", as it has produced "a divorce between the grassroots and our party's leadership organs".

Sánchez went on to say that, "We can't vote for Anaya because he has no moral authority to be president, as he is dogged by accusations of money laundering," in allusion to the investigation opened against the Por México al Frente candidate. Sánchez is not the first prominent PRD member to withdraw his support for Anaya's bid. A few days earlier on 21 June, Vladimir Aguilar, the leader of the Foro Nuevo Sol PRD party faction, called on PRD sympathisers not to vote for Anaya but for López Obrador. Aguilar said that Anaya does not represent the PRD's political principles and did not deserve the party faithful's support. Aguilar added that the minority social conservative views adopted by Anaya during his campaign means that "he has already lost the election".

On 25 June the former PRD governor of Guerrero state, Ángel Aguirre Rivero (2011-2014), also called on PRD sympathisers not to vote for Anaya but for López Obrador. Speaking at a political rally in Guerrero, Aguirre said that PRD voters should vote for all Por México al Frente candidates in the federal legislative, governmental, and municipal elections but not for Anaya, who he said had proved to be an "unworthy" candidate.

Anaya appealed to all López Obrador's detractors including non-Por México al Frente sympathisers to vote for him to stop the Morena candidate from winning. Speaking at his closing campaign rally on 27 June, Anaya urged them to cast a "useful vote", reiterating his claim that he is the only one that can now defeat López Obrador. Anaya's call is clearly directed at supporters of the federally ruling Partido Revolucionario Institucional (PRI).

## New talks begin amid renewed violence

Talks between the government led by President Daniel Ortega and the Alianza Cívica por la Justicia y la Democracia opposition movement recommenced this week against the backdrop of more violence, which claimed up to a dozen lives, including that of a baby. Missions from both the Inter-American Commission on Human Rights (IACHR) and the United Nations Office of the High Commissioner for Human Rights (OHCHR) arrived in the country this week amid limited optimism that this could stem the violence let alone help to broker a solution to the crisis.

‘Combined forces’ comprising the national police (PNN), paramilitary groups, and vigilante groups supportive of President Ortega, launched an attack in the early hours of 23 June on the Universidad Nacional Autónoma de Nicaragua (UNAN) in Managua, where students have hunkered down in tents in the campus area in permanent protest against the government. Two students were killed during the attack, according to the local human rights NGO Centro Nicaragüense de Derechos Humanos (Cenidh), and a further 15 sustained injuries. A baby was killed in the Managua neighbourhood of Américas Uno, on 23 June. The mother said the baby had been struck by a police bullet. The government blamed protesters.

On the previous day, the permanent council of the Organization of American States (OAS), with the exception of Venezuela, supported a report drawn up by the IACHR based upon the conclusions of a visit to Nicaragua between 17 and 21 May (*see sidebar*). “Nicaragua has not fulfilled its international obligations to respect, protect and guarantee human rights in the context of the social protests [which began on 18 April],” the 97-page report concluded. “On the contrary,” the report went on, “the IACHR found that the state response has been characterized by the repression and criminalization of the demonstrators and the social movement they represent, which has resulted in serious violations of human rights”.

The IACHR report accused the Ortega administration of serious human rights violations, denouncing “excessive and arbitrary use of force” by the PNN in collaboration with paramilitary forces. It found the government responsible for the killing of 212 people during the social protests up until 19 June, with at least 1,337 injured, and 507 deprived of their liberty. A mission from the IACHR arrived in Nicaragua on 24 June to assist with investigations into the human rights violations.

The Nicaraguan foreign minister, Denis Moncada, repudiated the findings of the IACHR report. “The Nicaraguan state categorically rejects the position on events adopted by the IACHR, which are not within the framework of social protests but an attempted rupture of the constitutional order to change the legitimately elected government and authorities,” Moncada said. He denied that “the repression of social forces is state policy”, and condemned the report as “subjective, biased, and notoriously partial”.

Vice-President and First Lady Rosario Murillo expressed her support for Moncada to state media. She also described the armed operations against protesters as “miraculous events” and “part of God’s work in Nicaragua”.

### IACHR visit

The IACHR sent three teams to four cities – León, Managua, Matagalpa, and Masaya – during its working visit to Nicaragua in May. The delegation was led by Commissioner Antonia Urrejola, IACHR Rapporteur for Nicaragua.

## Strategic priorities

President Alvarado signed a decree on 26 June establishing seven priority areas for his government, assigning a specific coordinator to each one: innovation and competitiveness; infrastructure, mobility and territorial order; human security; health and social security; education for sustainable development; economic stability and inclusive growth; and territorial development. The idea behind it is to improve coordination between state institutions to resolve priority challenges, such as job creation, urban planning, and road infrastructure.

“We know that we will emerge from these times of pain and tribulation fortified,” Murillo said.

This is exactly what the opposition wants to avoid. Its objectives have changed in light of the government’s repression of the social protests and it is now demanding that elections be brought forward in order to recover democracy in Nicaragua. The country’s episcopal conference (CEN), which is mediating the on-off talks, has also called for elections to be held next year rather than 2021 when they are presently scheduled.

The US State Department expressed its support for this stance, arguing that “early elections represent a constructive way forward”. On 25 June the US embassy in Nicaragua also requested that the PNN either return or pay for the vehicles that the US government had donated to the institution. In a statement, the embassy justified the decision on the grounds that “some of these vehicles have been used by the Nicaraguan National Police and paramilitary forces under their command, to violently suppress the voices of those who peacefully protest against the actions of their government”.

The following day, Moncada tweeted that the vehicles in question had been returned, as requested, to the US embassy. “Now we demand the payment of US\$16bn in compensation for the war they financed through the Contras on Nicaraguan territory,” he added combatively.

Despite the violence at the weekend, the CEN-mediated talks began again on 25 June, one week after they were suspended, with the IACHR representatives also in attendance. Any hope that the presence in the country of the IACHR mission would see a reduction in the violence was dealt a blow, however, when the government called for the barricades erected by protesters in cities nationwide to be dismantled or face being torn down, leading to more violent clashes. The national daily *El Nuevo Diario* reported that at least five people had been killed in the violence. “These attacks that took place in the presence of the IACHR show the government’s disregard for human rights and its disinterest in re-establishing peace and stability,” IACHR members Leiva Alvaro Botero and Fiorella Melzi said.

## COSTA RICA | POLITICS & ECONOMY

### Fiscal reforms fuel tensions

Trade unions in Costa Rica’s education and health sector staged a nationwide strike on 25 June to protest against the tax reform and proposed spending cuts tabled by the government led by President Carlos Alvarado. Exactly one week earlier the International Monetary Fund (IMF) released a report after a staff visit to Costa Rica applauding the government’s attempts to address the fiscal deficit, while calling for more (not less) to be done.

The government had met union leaders three days before the strike to try and head it off but to no avail. The social security institute Caja Costarricense del Seguro Social (CCSS) said that half of the scheduled health appointments for the day were cancelled, along with all planned surgeries outside of San José and 85% inside the capital. Meanwhile, many children had the day off school due to the strike in the education sector. Small protests in San José held up traffic.

The Alvarado administration has announced a new dialogue table with the unions for 29 June to discuss the tax reform, but it seems unlikely to cave in.

## Odebrecht

The seven Dominicans who will face trial in the Odebrecht case are PLD Senator Tommy Alberto Galán, the former public works minister (2007-2012) Víctor Díaz Rúa, former senate presidents Porfirio Andrés Bautista García and Jesús Vásquez, lawyer Conrado Pittaluga Arzeno, former deputy Roberto Rodríguez Hernández of the opposition Partido Revolucionario Moderno (PRM), and businessman Ángel Rondón, who is accused by the attorney general's office of being responsible for receiving and distributing the bribes. Those let off include Temístocles Montás, the industry and trade minister (and economy minister from 2010-2016), because of a lack of evidence, the attorney general, Jean Alain Rodríguez, said.

Indeed, it swiftly announced moves to have such strikes declared illegal. If this comes to pass, workers going on strike would face sanctions and have their pay docked for the day. The government has the full backing of the business sector. The president of the Costa Rican chamber of industry, Enrique Egloff, slammed the strike and insisted that "the privileges of a few cannot be above the national good".

The government needs to act. The finance ministry released figures on 21 June showing that the fiscal deficit for the first five months of the year stood at 2.6% of GDP, up on the 2.2% registered for the same period a year earlier. Government expenditure hit US\$4.89bn in the first five months, exceeding income by US\$1.57bn. "We keep seeing disturbing results for central government earnings and outgoings," the finance minister, Rocío Aguilar, said.

A report drawn up after a staff visit by the IMF concluded that "in the absence of policy measures, the fiscal deficit is expected to reach 7.2% of GDP in 2018, putting the debt of the central government on an unsustainable path". It concluded that the fiscal reform bill and initiatives for cutting public spending were "a step in the right direction" but called for "a more comprehensive reform strategy...to achieve long-term fiscal sustainability". More legislative procrastination, the IMF warned, would "only increase the cost of the adjustment and prolong the uncertainty in the financial markets and among investors that is contributing to the slowdown in economic activity".

On 20 June Alvarado announced a plan to crack down on tax evasion and contraband in a further attempt to reduce the fiscal deficit, which was 6.2% of GDP in 2017, and recover €50bn (US\$88m) in unpaid taxes in what remains of this year. In the second half of this year, the 'fiscal control police' will carry out 1,000 operations against contraband using, among other things, a new automated process at customs to ensure payment of the appropriate taxes. The government will carry out repossessions and embargos, and revise 117,000 contributors to establish why they declared zero taxes last year, as well as expediting efforts to recover US\$132m owed by 800 contributors in cases which are in the legal pipeline.

The government also set up a new portal on the finance ministry website to allow citizens to denounce cases of contraband or tax evasion as part of an aggressive 10-point plan, 'Denuncie ya', to combat tax evasion. The number of complaints jumped from an average of 200 per month to 353 in the first 24 hours.

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## TRACKING TRENDS

**DOMINICAN REPUBLIC | Anti-corruption march.** The social organisation Marcha Verde announced this week that it will stage a march on 12 August to demand justice in the corruption case involving Dominican government officials and the Brazilian construction firm Odebrecht.

Marcha Verde shot to prominence in early 2017 with a series of unprecedented marches against corruption and impunity in the Dominican Republic in relation to the case, which saw bribes totalling US\$92m handed out by Odebrecht to Dominican officials to secure public works contracts between 2001 and 2014.

Marcha Verde announced the 'March of 1m against corruption' after the attorney general, Jean Alain Rodríguez, announced on 7 June that only seven of the 14 men originally charged with asset laundering, bribery, illicit enrichment, embezzlement, and perversion of justice in relation to the Odebrecht case, including government officials, three politicians from the long-ruling Partido de la Liberación Dominicana (PLD) and opposition politicians, would face trial after all (*see sidebar*).

## Quotes of the week

“We’ve been at this for more than 40 years...and we are not winning [but] for the first time Colombia has a plan, a viable and effective strategy to combat this scourge more effectively.”

*Colombia’s President Juan Manuel Santos on combating coca cultivation and cocaine production.*

“All of the country’s political leaders need to be credible and trustworthy...to undo 70 years of failure and cheating.”

*Argentina’s President Mauricio Macri.*

“What we have seen is that there is no opening, no political will [from the government] on this topic of democratisation – a cry for real change from the people of Nicaragua.”

*Daysi George, of the Nicaraguan opposition movement Alianza Cívica por la Justicia y la Democracia.*

## Paraguay close to resolving historic Argentine dispute

The Paraguayan senate has approved a deal signed in May 2017 between President Horacio Cartes and his Argentine peer Mauricio Macri modifying the Yacyretá bi-national hydroelectric dam treaty. The political opposition slammed the deal on the grounds that it would be detrimental to Paraguay as it acknowledges that the country must repay Argentina for the debt incurred in the building of the dam. It also allows for the construction of the Aña Cua extension to the dam, for which Buenos Aires has long pushed but Asunción has resisted for fear of losing more territory.

The changes introduced to the deal, which should receive final approval in the lower chamber of congress with the support of the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC), set Paraguay’s debt with Argentina over the construction of the Yacyretá dam on the Paraná River at US\$4.08bn to be paid back over the next 30 years. Paraguay, meanwhile, will begin to receive compensation to the tune of US\$940m in 10 annual instalments from 2023 for extensive flooding of its territory during construction of the dam, which began in 1983.

The senate approved the two changes to the treaty in separate votes by 21-19 and 23-16 after a four-hour debate. The leftist opposition party Frente Guasu (FG) and the majority of the main opposition Partido Liberal Radical Auténtico (PLRA) opposed the modifications. PLRA Senator Miguel Abdón Saguier dominated the debate, listing at length the negative repercussions he felt Paraguay would suffer as a result of the deal. His party colleague Senator Emilia Alfaro criticised the lack of information about the changes made public, arguing that if people had been made aware of them “they would be out in the squares demonstrating”. The FG also argued that a second dam, the US\$16bn Aña Cua extension to Yacyretá, was illegal.

The opposition also argued that the Yacyretá deal would put Paraguay in a weaker position when it comes to renegotiating the Itaipú bi-national hydroelectric dam treaty with Brazil in 2023. Paraguay’s foreign minister Eladio Loizaga defended the changes, insisting that the deal between Cartes and Macri was “the best that could have been struck”.



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