

# latin american weekly report

06 September 2018, WR-18-35

ISSN 0143-5280

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This edition of *Latin American Weekly Report* has been produced for Canning House Corporate Members by LatinNews ([www.latinnews.com](http://www.latinnews.com)).  
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## Macri risks political future with harsh austerity measures

Argentina's President Mauricio Macri announced the implementation of a series of severe economic measures this week in a bid to restore market confidence in the ailing peso and credibility in his administration. By decisively turning his back on economic gradualism in a bid to eradicate the fiscal deficit, reneging on his promise not to raise taxes and cut spending, Macri has taken a big political gamble. It will scupper his chances of re-election in October next year if it fails to pay off. The markets are yet to be convinced. A revised deal with the International Monetary Fund (IMF) and an accord with the political opposition over the 2019 budget could change that, but even then market satisfaction could be short-lived. The concern for Macri is that in the process he could earn the lasting enmity of a public whose patience is expiring as rapidly as the currency's value.

President Macri has taken emergency action in a bid to escape a maelstrom that is threatening to consume his government. Macri's announcement on 29 August that his government was negotiating the early release of funds from the US\$50bn Stand-By Arrangement (SBA) with the IMF did not reassure investors. The peso promptly plummeted by nearly 14% in a single day to a record-low of Ar\$39.2/US\$1. The Argentine central bank (BCRA) reacted by raising the benchmark interest rate by 15 percentage points to 60% (by a distance the highest in the world followed by Suriname on 25%) in an effort to stop the currency depreciating further. The BCRA announced that the rate would be maintained until at least December.

In a half-hour recorded message "speaking from the heart", Macri did not name his predecessor Cristina Fernández (2007-2015) but he explained that, in trying to sort out the challenging financial situation his government had inherited, it had adopted a gradualist approach which, he acknowledged, had failed. "We thought we could do things little by little, but we must move a lot faster," Macri said. When the government agreed the SBA with the IMF in June it set the target of a 1.3% fiscal deficit next year. Now it wants to erase the fiscal deficit by next year and achieve a 1% surplus by 2020. The Macri administration is calculating that the deficit is behind the erosion of market confidence. By reducing its reliance on external credit, which leaves it vulnerable to the financial storm lashing emerging markets, the government expects the currency to stabilise and the economy to resume a path of growth.

Macri revealed several "exceptional measures" to tackle the deficit, including re-instituting taxes on exports and cutting spending. The decision to tax exports gives an indication of the scale of the crisis as it runs counter to Macri's economic convictions. He has long professed to revile state interventionism, and his opening gesture in December 2015 was to liberalise export and import markets.

## Political support

After coming under fire for failing to consult with his coalition partners in the ruling centre-right Cambiemos over the SBA reached with the IMF, President Macri made sure this time around to hold talks with Elisa Carrió, the leader of Coalición Cívica (CC), and senior figures in the Unión Cívica Radical (UCR) to discuss the latest currency turmoil. The UCR apparently sought more key positions in the cabinet. Carrió publicly supported Macri but acknowledged that “very difficult times lie ahead”. She said that there would most likely be social conflict in December but growth by July. This is the timeframe Macri is banking on.

Macri appealed to exporters to accept “a bad tax, a terrible tax, which goes against what we want to promote”. He urged them to understand that “this is an emergency and we need your support”. Exporters of soybeans, maize and wheat, the three largest grain exports, will pay four pesos (nearly 10 cents) for every US dollar their exports earn. Industrial goods and services will be slapped with the same tax but at the rate of three pesos per dollar. The government hopes to raise Ar\$280bn (US\$7.2bn) in 2019 through the measure, equivalent to 1% of GDP.

Exporters have gained from the weakening peso so they should be able to bear temporary export taxes. However, the big agricultural federations raised doubts about how “temporary” the arrangement would be, and they expressed concerns about job creation and development. The alternative for Macri – more stringent social spending cuts – was politically unpalatable as it could have triggered strikes and street protests. Macri will not be able to avoid these altogether, given promised cuts to public investment and to transport and electricity subsidies. But, in an attempt to send a message to the public that his government is leading by example, he abolished no fewer than nine of the government’s 19 cabinet ministries to cut running costs.

This streamlining will see a return to the number of ministries in the first post-dictatorship government in 1983. The security and defence ministries were merged. The environment, culture, science & technology, health, agro-industry, energy, modernisation, and transport ministries were downgraded to secretaries. Energy, for instance, was subsumed by the economy & finance ministry.

Meanwhile, Macri dispatched his economy & finance minister, Nicolás Dujovne, to Washington for talks with the IMF managing director, Christine Lagarde, to secure the release of early disbursements of the remaining US\$35bn of the SBA (having already received US\$15bn). Dujovne, who also met US government officials, expressed confidence the IMF would approve the release of the funds before the end of the month. Macri, for his part, received a phone call from US President Donald Trump supporting his efforts to confront the crisis.

In tandem with Dujovne’s application to the IMF, the interior minister, Rogelio Frigerio, is in the process of trying to negotiate a deal with the main opposition Partido Justicialista (PJ, Peronists) by mid-September over the 2019 budget. Macri is hoping to confirm a budget deal in a meeting next week with the country’s provincial governors, who wield enormous influence over federal senators. The governors do not want to share the burden of a painful adjustment making discussion of the budget intensely political as well as economic. But the government hopes an IMF deal and budget accord will restore market confidence. Public confidence is another matter.

Dujovne admitted that the government had made “mistakes”, arguing that “in our zeal to balance [macroeconomic] objectives we maybe left the fiscal flank open for too long”. But the cabinet chief, Marcos Peña, insisted that “while there are problems we need to look at the film and not the photo”. Investors are fixated on the photo, however, and deeply concerned that the film will not have a good ending.

The falling currency makes foreign debt repayments more onerous (70% of Argentina’s debt is denominated in foreign currency), and it unleashes further inflationary forces. Higher inflation and interest rates will result in a bigger economic contraction. Dujovne admitted that the recession would be worse than predicted this year. Just last week the economy was forecast to contract by -1% in 2018; now it is likely to be at least -2%. The more pain the public feels, the less likely it is that Macri will win re-election in October next year. This underlying fear could also be unsettling the markets. If the crisis kills Macri’s re-election hopes, it could usher in a populist who, once again, defaults on Argentina’s debt.

## New interior minister

María Paula Romo was appointed as Ecuador's new interior minister on 3 September. Romo, a 39-year-old former delegate to the constituent assembly (2009-2013) with an MA in government and public administration, replaced Mauro Toscanini, who resigned after just four months in the job. Toscanini, 63, resigned for personal reasons, saying that he was struggling to sleep at the high altitude in Quito and did not want to risk his health. Romo said that combating violence against women, child sexual abuse, and transport insecurity would be his principal priorities. He did not mention the Venezuelan migrant crisis but this will be a major issue for him to get to grips with too.

## ANDEAN COUNTRIES

### ECUADOR | POLITICS & JUSTICE

#### 'Emperor' overhauls national institutions

**"Julio César Trujillo, with a less-than-mediocre political record, has become 'emperor' of Ecuador,"** former president Rafael Correa (2007-2017) recently tweeted. The man upon whom Correa conferred the imperial title ran unsuccessfully for the presidency in 1984 and is now serving as the president of the transitional Consejo de Participación Ciudadana y Control Social Transitorio (Cpccs-t), the body tasked with conducting a clear-out of Ecuador's top judicial and state institutions. The day after Correa's tweet the Cpccs-t proceeded to dismiss all nine constitutional court (CC) magistrates. It followed up on this by firing the majority of the judges on the court for electoral disputes (TCE). The Cpccs-t accused the officials, *inter alia*, of being unqualified and misusing their positions. *Correistas*, in turn, accused the Cpccs-t of a ruthless purge of Ecuador's democratic institutions.

Correa argued that the dismissal of the CC magistrates constituted no less than the "demolition of the rule of law in Ecuador". The CC Twitter feed issued a statement citing Article 431 of the constitution: "The members of the constitutional court will not be subject to impeachment nor can they be removed by those who designate them". The Cpccs-t responded by arguing that it did not designate them but had rather been empowered to investigate the process designating them. Trujillo said simply that the CC was "a body in which the people had high hopes that have not been satisfied".

In a statement justifying its decision, the Cpccs-t ruled that there were irregularities in the appointment of the judges by a qualifying commission which had demonstrated a lack of independence from the Correa administration. In a 250-page report, the body said that the judges had failed to fulfil their functions, and were guilty of delaying legal proceedings, suspicious management of public funds (prompting investigations for money laundering and embezzlement), and a lack of transparency. *Correistas* contended that President Lenín Moreno had moved against the CC magistrates to stack the court with more pliant judges to do his own bidding.

#### Judge, jury, and executioner

The Cpccs-t definitively dismissed the nine magistrates on 31 August after denying their appeals. The fact that their sole recourse was to appeal to the very body that dismissed them fuelled fierce criticism from supporters of Correa that the Cpccs-t is wielding the plenipotentiary powers of a constituent assembly, backed to the hilt by Moreno. In June, the Cpccs-t dismissed the president of the judicial council, Gustavo Jalkh, shortly after he questioned the body's absolute authority.

The Cpccs-t did not name acting replacements to fill the vacant positions on the CC, as it has in all of its other interventions in judicial and state institutions while a selection process is carried out to fill them on a permanent basis. Instead, it announced a selection process to be held within 60 days of the approval of competition regulations. In the meantime, there is a vacuum in the country's top court.

The Cpccs-t also dismissed three of the five judges sitting on the TCE on 29 August for misuse of public resources, the evaluation having uncovered "irregularities in various contracts", and for lacking the requisite qualifications and experience. A fourth TCE judge, Patricia Guaicha, kept her position because she was only appointed in May, after the evaluation process began. The other TCE

## Reaction

José Javier Samaniego, the representative of the UN Refugee Agency at the meeting in Ecuador, said the different initiatives outlined in the 'Declaration of Quito' were encouraging. The joint cooperation promised by signatory nations, for instance, included coordinating efforts "to combat discrimination, intolerance, and xenophobia" suffered by Venezuelan migrants. While Bolivia's representative apparently refused to sign because several of the points went too far, Chile's representative said his government would have liked the declaration to "go a bit further". "Venezuelans did not get it in their minds one fine day to travel around Latin America. This is not tourism. This is a serious humanitarian situation, causing a crisis," Chile's representative, Raúl Sanhueza, said.

judge, Arturo Cabrera Peñaherrera, became the first official to survive an evaluation by the Cpccs-t, having shown "an ability to fulfil his functions".

A total of 28 top officials have been dismissed by the Cpccs-t to date, with all their appeals rejected. On the same day as the CC magistrates saw their appeals thrown out, the Cpccs-t also dismissed an appeal by Fernando Cordero, who had been fired as superintendent of territorial planning a week earlier. Xavier Arboleda was named as acting superintendent until a process to select a permanent replacement can be held.

Supporters of Correa have called a demonstration in Quito for 13 September to protest against the "political persecution" of former officials in his administration, as well as the latest economic austerity measures announced by the government, which include an increase in petrol prices. Meanwhile, Ecuador's umbrella trade union movement, Frente Unitario de Trabajadores (FUT), is planning "a great national mobilisation" for 20 September to protest against the fuel price increase and other belt-tightening measures.

## VENEZUELA | POLITICS

### Government denies migrant crisis as region meets

The Venezuelan government is caught in a difficult balancing act. On the one hand, Vice-President Delcy Rodríguez argued this week that the number of Venezuelans leaving the country was "a normal migratory flow", and that the figures were being inflated by detractors to try and justify foreign military intervention. On the other hand, her brother Jorge Rodríguez, the communications minister, maintained that "so many [Venezuelans] are seeking repatriation that President [Nicolás] Maduro has ordered an air bridge to be set up" under the plan 'Vuelta a la Patria' ('Return to the Homeland'). The comments came against the backdrop of the first regional meeting, hosted by Ecuador, to focus exclusively on the Venezuelan migrant crisis.

Delcy Rodríguez said on 3 September that her government had lodged a complaint with the United Nations Secretary General António Guterres about "individual officials" she claimed had used migration data supplied by "enemy countries" rather than Venezuelan authorities. The UN Refugee Agency (UNHCR) claimed in a statement last month that more than 1.6m Venezuelans had left the country since 2015 and that 2.3m were presently living abroad.

President Maduro said in a televised address on the same day that US financial sanctions had forced some Venezuelans to leave the country to "try their luck" and that "more than 90% of this group, which isn't more than 600,000 in the last two years, are regretting it". He did not say where this figure had come from but insisted it was "confirmed, certified, and serious".

Jorge Rodríguez, meanwhile, said that Venezuelans were "voluntarily" returning in droves "sick of exploitation, sick of working as slaves, sick of xenophobia and hate crime". He said that in Lima alone there was a long queue outside the Venezuelan embassy of nationals seeking to return home, and so many flights from Peru, Ecuador, and Argentina that Maduro had ordered "an air bridge". During a session of Venezuela's national constituent assembly (ANC), Diosdado Cabello, the president of the government-controlled body, praised delegates for supporting the "generous" repatriation of nationals who had learnt "a lesson".

The ANC debate coincided with a two-day gathering in Ecuador of the representatives of 12 Latin American governments to seek a joint solution to the Venezuelan migrant crisis. The resulting 18-point declaration was signed

### **Tensions ahead?**

In a press conference the head of Bolivia's national police, General Faustino Mendoza, said that the two cocaleros killed on 29 August were part of an "irregular armed group" comprising some 30 people who sought to ambush and intimidate eradication forces in the area. However, a local Adepcoca leader for La Asunta, Freddy Quispe, rejected these claims, insisting that security officials shot at cocaleros without provocation.

by all the participating nations except Bolivia. Signatories committed "in accordance with the availability of public resources, economic reality, internal regulations, and the options of each host country, to provide Venezuelan citizens in a situation of human mobility with access to public health, education services, and opportunities in the labour market". They also requested more assistance to reduce the strain on public services of countries receiving migrants, urging that "cooperation and resources...from states and specialised international organisations...should substantially increase, according to the requirements of [individual] states".

The declaration went on to appeal to the Venezuelan government to provide official identity documentation to its citizens as "an urgent priority" to travel (this after the recent decision by the governments of Ecuador and Peru to require passports to be shown by Venezuelan migrants at border controls) and to enable them to obtain work permits. For now, it said that expired travel documents would be accepted as ID for immigration purposes. It also urged the Maduro administration to accept humanitarian assistance, something which it has steadfastly refused to do, arguing that it would be used as a pretext for foreign military intervention. It is difficult to see much changing between now and a follow-up meeting in Ecuador in November.

## **BOLIVIA | POLITICS**

### **New law on political parties proves contentious**

Bolivia's legislature, which is controlled by the ruling **Movimiento al Socialismo (MAS)**, has approved a new law on political parties and organisations. While the MAS government led by President Evo Morales claims that the new legislation will "strengthen democracy" ahead of the October 2019 general elections, opposition leaders such as former president Carlos Mesa (2003-2005) warned that it was designed to confer credibility on Morales' controversial bid to run again.

A key provision of the new law, which was passed by the 36-member senate on 30 August and the 130-member lower chamber a day later, stipulates that, for the first time in Bolivia's history, political parties must elect their presidential and vice presidential candidates through primary elections. These have since been called for January 2019.

The law, which also calls for greater transparency regarding sources of party finance, has been slammed by figures such as Mesa – who has a criminal investigation against him which he maintains is political [[WR-18-27](#)]. Mesa complained that the mechanism of holding primaries was designed to provide legitimacy to Morales' candidacy after the February 2016 public referendum rejected the idea of changing the 2009 constitution to allow for indefinite presidential re-election (and allow him to seek a fourth consecutive term in office). The plurinational constitutional court (TCP) lifted the ban in a December 2017 ruling.

### **Targeting another opponent**

Against this backdrop, Morales has reignited concerns that he is targeting his political opponents ahead of the election. The most recent cause for concern was the arrest on 28 August of Franklin Gutiérrez, the leader of the Yungas coca producers (cocaleros) organisation, Asociación Departamental de Productores de Coca (Adepcoca), who in May announced plans to run for his own political project in the October 2019 election.

Gutiérrez was arrested for allegedly masterminding an operation to ambush officials carrying out coca eradication duties in Asunta municipality, La Paz

## Japan ties

By improving commercial ties with Japan and other potential trading partners Moreno hopes to invigorate Ecuador's domestic economy, which has been hit by a period of stagnation with reduced domestic demand and slow GDP growth, and to reverse the downward trend in foreign direct investment (FDI), which fell by 20% from US\$755m in 2016 to US\$606m in 2017.

department, in an incident on 24 August which left a police officer dead. He has since been placed under preventive detention after being charged with eight crimes including murder, possession of illegal firearms, and attacks against state security organisations.

### Tensions between coccaleros

Gutiérrez's announcement regarding his candidacy, and the incident in Asunta which saw further deadly unrest five days later when two coccaleros were killed in clashes with coca eradication officials (*see page 5 sidebar*), highlights divisions between the Yungas coccaleros and coca producers from Chapare, Cochabamba department (the home turf of Morales, himself a former coccalero). These tensions emerged last year over the 2017 law on coca (which Adepcoca complained favoured the Chapare coca producers) [[WR-17-29](#)].

According to the most recent coca cultivation survey on Bolivia by the United Nations Office on Drugs and Crime (UNODC), released on 21 August, the Yungas region accounts for 65% of the total 24,500 hectares (ha) of the crop; the Tropic of Cochabamba (Chapare), 34%; and the north of La Paz, 1%. The same survey showed that the area under cultivation in Bolivia increased by 1,400ha in 2017. According to the survey, the greatest increase was in the Chapare where coca cultivation rose from 7,200ha to 8,400ha, while the Yungas also saw an increase (from 15,000ha to 15,700ha).

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## TRACKING TRENDS

**ECUADOR | Moreno promotes trade and investment on Japan trip.** Ecuador's President Lenin Moreno arrived in Japan on 3 September for a series of meetings designed to encourage trade and investment, as well as to celebrate the centenary of diplomatic relations between the two countries.

Moreno met Emperor Akihito and Empress Michiko on 4 September before a working meeting with Prime Minister Shinzo Abe the following day. Moreno was accompanied by his foreign minister, José Valencia; his economy & finance minister, Richard Martínez; and his foreign trade & investment minister, Pablo Campana, as well as various Ecuadorean business leaders.

The delegation will also meet representatives of the Japan Business Federation, a trade body that includes Japanese companies and corporations, to promote investment opportunities in Ecuador. One deal that will be signed during the trip is a US\$70m agreement for Japan to part-finance improvements to Ecuador's energy matrix. The project is a joint venture between Ecuador's electricity & renewable energy ministry, the Inter-American Development Bank (IDB), and the Japan International Cooperation Agency (Jica).

Delegates will also follow up on discussions that were started at the Invest Ecuador 2018 forum in March this year regarding Japanese investments in the Río Santiago hydroelectric dam, an aluminium plant, and projects in the agro-industrial sector. Another item on the agenda is the negotiation of a possible bilateral trade deal, in which both countries have expressed an interest.

Moreno is seeking to position Ecuador as a strategic ally for Japan in Latin America, emphasising his government's recent reforms and anti-corruption efforts, designed to boost economic growth and make the business sector more dynamic.

The visit is the latest move in Moreno's campaign to show that Ecuador is open for business and can be trusted by international partners after years of uncertainty under the previous administration led by Rafael Correa (2007-2017). Foreign trade & Investment Minister Campana visited the US in late July as part of what he called a "process of rapprochement with strategic partners to strengthen the Ecuadorean economy," and he also announced Ecuador's intention of joining the Pacific Alliance trade bloc – which currently consists of Chile, Colombia, Mexico, and Peru.

**PT must turn to 'Plan B'**

Brazil's left-wing Partido dos Trabalhadores (PT) is being obliged to rethink its strategy for the upcoming general election on 7 October after a court ruling barred former president Lula da Silva (2003-2011) from running. Following an extraordinary session on 31 August, the supreme electoral court (TSE) voted by six votes to one to reject Lula's candidacy.

The decision was reached early in the morning of 1 September, mere hours before presidential candidates began campaigning on TV and radio. The TSE also ruled that Lula could not appear in campaign material as the PT's presidential candidate. The judges rejected Lula's candidacy on the basis of the country's 'clean slate' law, which bars convicted criminals from running for public office. Lula is currently serving a 12-year prison sentence upheld on appeal for corruption and money laundering.

The TSE's decision was criticised by some left-wing leaders and parties internationally, but it was well-received by the other presidential contenders in Brazil. Ciro Gomes, candidate for the left-wing Partido Democrática Trabalhista (PDT), welcomed the fact that the ruling brought some clarity to the electoral process. Gomes is the candidate who stands to gain the most votes in a scenario where Lula is unable to run.

The PT, which maintains that Lula is the victim of political persecution, greeted the TSE's decision with outrage and repeated assurances that the party would stand behind its man. Lula's lawyers have since presented appeals to Brazil's supreme court (STF), and to the TSE, asking to reverse Lula's ineligibility. The appeal to the TSE has already been rejected by Justice Luiz Edson Fachin, while the appeal to the STF remains under review.

The PT now finds itself in a political vacuum, where it is legally prevented from campaigning for its presidential candidate but refuses to put forward a substitute. Nevertheless, observers believe that the PT is laying the ground to announce Fernando Haddad, currently Lula's running mate and the party's unofficial 'Plan B', as a replacement before the 11 September deadline set by the TSE.

The PT knows that it faces an uphill task returning to the presidency without Lula in this election, and it seems to be embracing a strategy that presents Haddad as the embodiment of the popular former president. Electoral advertisements heard on 4 September included sentences such as 'Haddad is Lula' and 'Lula is Haddad, he is the people'. On 5 September, Haddad visited factory workers in São Bernardo do Campo, in the industrial area of São Paulo state, in an attempt to garner votes amongst a core base of Lula supporters that have drifted away from the party in recent years.

With barely a month to go before the election, it is doubtful whether the PT's 'Haddad is Lula' strategy will bear fruit. The latest public opinion poll released by pollster Ibope places Haddad in fifth place with only 6% of voting intentions, behind Jair Bolsonaro (22%), Marina Silva and Ciro Gomes (both 12%), and Geraldo Alckmin (9%). Haddad is also the only one of these candidates who would possibly lose in a hypothetical second round against Bolsonaro, a controversial right-wing candidate who has high rejection rates. Meanwhile, the PT's refusal to make Haddad's candidacy official increases uncertainty in what is already set to be the country's most unpredictable election in recent decades.

**No Lula, no vote**

According to news site *Poder360*, the number of blank ballots, spoilt ballots, and undecided voters (collectively known as 'não voto' or 'won't vote') increases sharply without Lula's name on the ballot, particularly in the north-eastern states which are traditionally pro-Lula. *Poder360* estimates that there could be 57.5m blank or spoilt ballots and abstentions in this year's election, up from 38.8m in 2014.

## Government blamed for museum fire

Brazil is mourning the loss of its cultural heritage after a fire destroyed the Museu Nacional do Rio de Janeiro, one of the country's oldest and most important museums. The fire, which broke out on the evening of 2 September and raged for seven hours before being brought under control, devastated the former imperial palace that stands in the Quinta da Boa Vista park, in the north of Rio de Janeiro city.

The 200-year old museum's collection comprised some 20 million items of historical, cultural and scientific importance to the country, including Egyptian and Roman objects brought over by the Portuguese royal family, Brazil's oldest known skeleton, a woman from the Paleolithic period named 'Luzia', and unique materials recording the existence of now-extinct indigenous peoples. An estimated 90% of the collection has been lost in the fire. The Universidade Federal do Rio de Janeiro (UFRJ), the state university that manages the museum, said that "Brazil and the world's cultural and scientific heritage have suffered an immeasurable loss".

The cause of the fire remains unknown and is currently being investigated by the federal police; however, there is speculation that the building's state of disrepair could have contributed to it. Exposed electric wires, flammable exhibits and a lack of fire prevention infrastructure such as fire doors will certainly have facilitated the spreading of the flames through the primarily wooden structure, if nothing else. Infrastructure problems also delayed the response of firefighters, who had to resort to pumping water from a nearby lake as the two fire hydrants closest to the museum lacked pressure. It has also emerged that the museum was not insured, allegedly because of lack of funds.

Although some people note that the museum had been neglected for years, fingers are pointing at President Michel Temer and the cuts that his government has made to the culture budget since he came to power in 2016. Candidates for the 7 October presidential elections, particularly those on the Left, were quick to hold Temer responsible for the tragedy. Students, professors and museum staff who have gathered in front of the charred carcass of the museum are protesting what they see as the government's wider disregard for culture and education.

Figures do indeed show that government funding for the Museu Nacional fell dramatically over the last three years. The federal government and the UFRJ are mutually accusing each other of being responsible for this financial precarity. Government sources say that the UFRJ's budget allocation increased over the past years, while the university, which has been suffering from severe financial difficulties, retorts that it was never given enough funds for the upkeep of the museum building.

Whoever the guilty party is, this lays bare some of the problems that the country, and Rio de Janeiro state specifically, have been going through as both struggle to recover from a deep economic recession. Some see the loss of the museum as symbolic of all that is wrong with Brazil as the country approaches its most uncertain presidential election in recent history.

If there is a silver lining, it is that the fire has drawn attention to the importance of putting in place adequate policies supporting culture and the arts in Brazil. Accordingly, presidential candidates' proposals on culture have come under scrutiny. While most candidates mourned the tragedy, only Marina Silva, from Rede Sustentabilidade, and former president Lula da Silva (2003-2011), currently barred from running for office, consider museums in their government plans. Some, including the right-winger Jair Bolsonaro and the incumbent government's candidate Henrique Meirelles, make no mention of culture at all.

### Reconstructing the museum

The government has announced the release of R\$15m (US\$3.63m) to go towards the reconstruction of the museum and its collection. Institutions and governments across the country and the world have offered their support to a reconstruction programme, but for some it is too late: "The reconstruction of the museum's building will only preserve its architecture, but never the treasures that made up its collection," Brazil's public prosecutor says.



## Uruguay

Economy & Finance Minister Danilo Astori appealed for market calm, arguing that in the past decade the Uruguayan economy has 'decoupled' from Argentina's, reducing its dependence on it. Indeed, Astori insisted that "what is happening in Argentina will not happen here". This was echoed by President Tabaré Vázquez who said that Uruguay's economic fundamentals are "solid" and that while the situation in Argentina was "worrying" Uruguayans could rest assured that any effect on the country would be minor. However, these assurances have not convinced all. Opposition senator Luis Alberto Lacalle Pou noted that, despite the diversification of export markets in recent years, Argentina remains Uruguay's fourth largest trading partner, and he stated that any economic crisis in Argentina "will notoriously hit us".

**BRAZIL | Growth sluggish.** Brazil's national statistics agency (Ibge) has released figures for second quarter growth, which show that the economy is stagnating. GDP grew just 0.2% in April-June compared to January-March this year, stimulated by 0.3% growth in the services sector alone. Although this is in line with economists' expectations, following the 11-day lorry drivers' strike that paralysed the country in May, there is concern that the Brazilian economy is failing to pick up momentum after going through its worst recession in decades.

Forecasters subsequently revised predictions for 2018 GDP growth downwards. Brazil's national trade association (CNC) revised its 2018 prediction to 1.3% growth, down from 1.6%. The central bank (BCB) now predicts 1.44% GDP growth, down from 1.47%. The BCB maintained its predictions for 2019 growth unchanged, at 2.5%.

**BRAZIL | Herbicide ban lifted.** Brazil's first region federal court (TRF1) has overturned a provisional ruling that suspended the use of the herbicide glyphosate. A federal judge's decision to suspend the use of glyphosate earlier in August due to concerns around its adverse health effects was met with protests from the government and the agricultural industry. Agriculture Minister Blairo Maggi said that a glyphosate ban would negatively impact Brazil's soya and maize production, which relies heavily on the herbicide. Maggi welcomed the overturning of the ruling by the TRF1 as a victory for the agroindustry.

There is a wider debate on the use of agrochemicals going on in Brazil, as the federal chamber of deputies recently approved a controversial draft law that would relax regulations for the use of agrochemicals, but that has been criticised by environmental activists and health organisations.

**PARAGUAY | New government presents budget.** Paraguay's new finance minister, Benigno López, has presented the government's budget for 2019 to congress. The proposed G\$80.2tn (US\$13.6bn) budget represents a 7.6% increase on last year's and is based on projections of 4% GDP growth for 2019. Most cabinet ministries will see an increase in their allocated funds, in particular the science and education ministry (11.4%) and the public health ministry (12.5%). López highlighted that this budget is the starting point for the new government, which took office on 15 August, to implement its social and economic policies. The budget must now be approved by both chambers of congress.

**URUGUAY | Striving to avoid contagion from Argentina.** The ongoing currency crisis in Argentina has sparked concerns in Uruguay that it could impact the domestic economy. The Argentine and Uruguayan economies are closely integrated. Historically economic crises in Argentina have engulfed Uruguay, producing comparable negative outcomes. The fear is that this may once again be the case if the Argentine government fails to restore market confidence in the Argentine peso. The sharp depreciation of the Argentine peso against the US dollar in recent days has been identified as one of the factors that is driving the depreciation of the Uruguayan peso, which also rapidly lost value against the US dollar this week, in line with the general depreciation of emerging market currencies.

After the value of the Argentine peso fell below that of the Uruguayan peso for the first time ever on 29 August, Uruguay's central bank (BCU) decided to intervene, selling dollars in the local currency market for the first time since June 2017 in order to defend the Uruguayan peso. Since then, the BCU has sold over US\$500m in the currency market but this did not stop the Uruguayan peso reaching Ur\$32.71/US\$1 on 4 September, the highest-ever recorded exchange rate. The significant amount of dollars that the BCU has had to sell to prop up the peso in just a few days has raised concerns that the bank could run out of foreign reserves if it continues selling dollars at such a rate in support of the peso. The Uruguayan authorities have sought to dispel these concerns, with Economy & Finance Minister Danilo Astori saying that Uruguay had sufficient foreign reserves to defend the peso, noting that it currently holds a record high US\$17.2bn in foreign reserves.

**PRI not planning to obstruct**

On 1 September René Juárez Cisneros, the new leader of the PRI in the federal chamber of deputies, said that the now minority opposition party will not adopt an obstructionist stance in congress. Juárez said that the PRI was prepared to work with the incoming government on initiatives where they see eye to eye, such as plans to rationalise government spending and combat government corruption. “We are not going to be a dam, we are not going to be systematically and permanently closed, but we are not going to be a carpet either, we are going to act responsibly,” Juárez said.

**López Obrador cements congressional supremacy**

When President-elect Andrés Manuel López Obrador takes office on 1 December he will enjoy a congressional dominance not seen since the Partido Revolucionario Institucional (PRI) was in its pomp more than three decades ago. López Obrador’s coalition, Juntos Haremos Historia (JHH), has overwhelming majorities in both chambers of the federal congress. Daily defections in the days since deputies and senators took their seats on 1 September have even seen his party, Movimiento Regeneración Nacional (Morena), secure an outright majority of its own in the lower chamber without coalition partners.

Morena won 191 of the 500 seats in the lower chamber of congress in July’s elections but added a further 56 deputies from its JHH coalition partners, the Maoist Partido del Trabajo (PT) and socially conservative Partido Encuentro Social (PES), ahead of the start of the new congressional session. This brought Morena up to 247 deputies, four short of a majority of its own. This it duly gained when, on 4 September, five deputies from the Partido Verde Ecologista de México (PVEM) defected to Morena.

Despite nearly half of the deputies elected for the PT and PES joining Morena, the parties still have 31 and 30 seats respectively which, with Morena’s 252, means the JHH has 313 deputies. This is only 21 seats shy of a two-thirds majority of 334 required to approve constitutional reforms. If the opening few days of congress are anything to go by, this threshold could well be within reach, however, as more deputies could yet switch allegiance to Morena.

There is no shortage of candidates for such a switch. The PVEM itself retains 11 deputies, and the party severed ties with the PRI after 15 years together last week. The PVEM is not motivated by ideological (or, for that matter, ‘green’) considerations. In 2000 it helped secure the presidency for Vicente Fox in alliance with the right-wing Partido Acción Nacional (PAN) to end the PRI’s hegemony. Then there is López Obrador’s former party, the left-wing Partido de la Revolución Democrática (PRD), and the leftist Movimiento Ciudadano (MC), which won 48 seats between them. Both are vulnerable to defections. Their marriage of convenience with the PAN to forge the Por México al Frente electoral alliance ended in divorce last week. Even if they stay loyal to their respective parties, PRD and MC deputies could make common cause with the JHH, especially on social policy.

**The PRI: from big fish to minnow**

Neither is it inconceivable that PRI deputies could defect to swell Morena’s ranks. A significant number of former PRI members won election to congress for Morena. On top of this, the PRI is in a position of unprecedented weakness, having won just 47 seats, less than a quarter of its haul in 2015. The PRI’s blushes were spared, however, by the decision by so many PT and PES deputies to join Morena. This means the PRI is at least the third largest party in congress, rather than facing the ignominy of being just the fifth largest.

Senator Claudia Ruiz Massieu, who was ratified as PRI party president on 21 August, has an uphill task. Ruiz Massieu, who served as foreign minister (2015- 2017) in the incumbent government of President Enrique Peña Nieto, promised that the PRI would provide “brave, critical, and constructive opposition”. She had previously said that 2018 would go down as “either the year of our [the PRI’s] great debacle or the start of our great reform; which one depends upon us”.

Not even the PAN, the second largest party in the lower chamber with 79 deputies, is safe from defections. Near the top of Morena’s senate list, after

**Economic legacy**  
 President Peña Nieto claimed that his successor was inheriting “a better country than six years ago [with] economic, political, and social stability”. He said inflation was at its lowest level at the end of a sexenio than for nearly 50 years; debt levels were “manageable...and falling”; 800,000 new formal jobs had been created each year; 2m Mexicans had been lifted out of extreme poverty; and the North American Free Trade Agreement (Nafta) had been salvaged through a renegotiated deal with the US (if not yet Canada). GDP growth has exceeded 2% a year, albeit this is half what Peña Nieto promised upon taking office.

all, was Germán Martínez, a former PAN party president, while former PAN senator Gabriela Cuevas won election to the lower chamber for Morena.

The dominance of Morena and the JHH is not confined to the lower chamber. In the 128-seat senate, the JHH will make up a bloc of 70 senators, 59 of which will be supplied by Morena after a senator elected for the Partido Nueva Alianza (Panal) enlisted in the party’s ranks this week. This grants López Obrador a simple majority. A further 16 senators would need to join the JHH, or vote with it, for the coalition to gain a two-thirds majority. The PVEM and PRD returned six senators apiece, and the MC seven. The PRI has 15 seats, down by a massive 42 on the last senate elections in 2012, while the PAN has 24, down by 14.

Changing composition of congress				
Party	Lower chamber		Senate	
	Previous	Current	Previous	Current
Juntos Haremos Historia	-	313	-	70
Movimiento Regeneración Nacional (Morena)	47	252 (+205)	-	59 (+59)
Partido Encuentro Social (PES)	12	30 (+18)	-	5
Partido del Trabajo (PT)	-	31 (+31)	4	6 (+2)
Partido Revolucionario Institucional (PRI)	204	47 (-157)	57	15 (-42)
Partido Acción Nacional (PAN)	108	79 (-29)	38	24 (-14)
Partido de la Revolución Democrática (PRD)	53	20 (-33)	23	6 (-17)
Partido Verde Ecologista de México (PVEM)	39	11 (-18)	4	5 (+1)
Movimiento Ciudadano (MC)	21	28 (+7)	1	7 (+6)
Partido Nueva Alianza (Panal)	12	12	1	1
Independents	4	2 (-2)	-	1
<b>Total</b>	<b>500</b>	<b>500</b>	<b>128</b>	<b>128</b>

**Whose transformation?**

Echoing López Obrador, the president of the lower chamber of congress, Morena’s Porfirio Muñoz Ledo, said the new congressional session marked the re-founding of the Republic and “Mexico’s fourth transformation” after Independence, Reform, and the Revolution (1810-1920). It was no coincidence that Peña Nieto used the word ‘transformation’ throughout his sixth Informe (state-of-the-nation address) on 3 September. Peña Nieto claimed that his government’s structural reforms would ensure the country’s transformation. López Obrador, however, has revealed his intention to scrap the Peña Nieto administration’s education reform and is intent on amending its energy reform. These are Peña Nieto’s two flagship reforms, after the approval of which his government tailed off amid spiralling violence and corruption.

Peña Nieto contended that his government had met with success in combating organised criminal groups, but that after these split into smaller units local police forces had been unable to confront them. The result, he admitted, was that his government could not “recover peace and security”. This is an understatement. There was a record-high level of 31,174 homicides in 2017, a figure which was not cited in the near-90-minute Informe.

Peña Nieto acknowledged that corruption had “impacted negatively on the credibility” of his government. But he defended the official investigation (criticised domestically and internationally) into the abduction and murder of 43 trainee students in Iguala, Guerrero, in September 2014, the incident which did most to strip his government of credibility and popularity. A survey by the national daily *El Universal* in mid-August found that 66.8% of respondents disapproved of Peña Nieto’s presidency; only 21.2% approved. Upon taking their seats for the new congressional session, Morena deputies counted from one to 43 before shouting “Justice”. They also chanted against Peña Nieto for delivering the Informe in the national palace rather than congress as dictated by tradition.

## **Napoleón Gómez**

Napoleón Gómez Urrutia, the former mining and metalworkers' union (SNTMMSSRM) leader, took his seat in the senate after returning to Mexico last week from exile in Canada. Gómez fled the country in 2006 after an explosion in the 'Pasta de Conchos' coal mine in the north-eastern state of Coahuila claimed 65 lives. He was accused of fraud to the tune of US\$55m by Mexican authorities. Gómez said he was "very happy" to be back, having been "exonerated from all false accusations, calumny, and falsehoods". He has pencilled in a return to Coahuila (possibly on 7 September but definitely before 11 September), where he says he will insist upon the recovery of the 63 bodies of miners still underground.

## **Morena gets to work in congress**

Morena's electoral success has increased public expectations that the party will now set about radically changing Mexican politics and delivering on López Obrador's campaign promises. The Morena legislative bench wasted no time in advancing its legislative agenda. López Obrador and Morena were elected on an anti-corruption campaign and they promised to stamp out official corruption. In keeping with this promise, Muñoz Ledo used his inaugural speech to announce that the very first legislative bill to be presented by the Morena bench would be a constitutional reform calling for the removal of the immunity from prosecution enjoyed by elected government officials, including the president.

The constitutional reform initiative was duly presented in the lower chamber on 4 September. It calls for changes to six constitutional articles in order to allow elected officials to be accused, charged, prosecuted, and sentenced for any crime. According to Morena Deputy Pablo Gómez, who drafted the bill, the initiative does not seek to remove all privileges, maintaining the protections of freedom of speech and immunity from arrest until there is a firm judicial conviction. Given that the bill involves constitutional amendments, it will require a two-thirds majority to gain approval. Morena and its JHH coalition partners will need to convince 21 opposition deputies to support the initiative in the lower chamber.

Another plank of López Obrador and Morena's campaign was to rationalise government spending with the aim of reducing wasteful expenditure but increasing spending on infrastructure development and social development programmes. López Obrador has said that his administration will implement a 'Republican austerity plan' under which the federal government is to save an estimated M\$500bn (US\$26.8bn) through downsizing. In line with this proposal, the first initiative presented by the Morena bench in the federal senate was a bill introducing a series of austerity measures to reduce senate running costs by 30%.

The senate initiative seeks to achieve these savings by means of a reduction in the number of senate commissions and the elimination of certain privileges currently enjoyed by senators and senate staff, such as vouchers for fuel, mobile phones, and medical bills, as well as reducing attendance bonuses, allowances for food and drink, and the number of staff hired on a fee basis by each senator. The bill was unanimously approved by the senate on 4 September. According to proponents of the initiative, it will result in estimated savings of M\$599m (US\$30.6m) the rest of this year and M\$1.4bn (US\$71.4m) next year.

### **Key appointment made**

Carlos Urzúa Macías, President-elect López Obrador's future finance minister, announced the appointment of Santiago Nieto Castillo as the future head of the finance ministry's financial intelligence unit (UIF) this week. The appointment of Nieto, a former head of the electoral crimes unit at the federal attorney general's office (Fepadde), is considered key to the incoming administration's efforts to combat official corruption given that the UIF is tasked with investigating cases of money laundering and government corruption.

Nieto's appointment has also been taken as sending a signal to the outgoing administration. As head of Fepadde, Nieto led the investigations into the allegations that Enrique Peña Nieto's 2012 electoral campaign received illegal financing from Brazilian engineering firm Odebrecht. However, Nieto was dismissed in October last year just days after he said in an interview with local media that he had found evidence that Odebrecht had given some US\$4.1m to the Peña Nieto campaign. Officially Nieto was dismissed for breaking the prosecutors' code of conduct by discussing an ongoing case with the media. But his dismissal was questioned by the political opposition, which accused the Peña Nieto administration of trying to hinder the investigations into illegal campaign finance allegations, which have not progressed much since then.

## End in sight for Cicig

President Jimmy Morales has revealed that he will not be renewing the mandate of the International Commission against Impunity in Guatemala (Cicig), more than a decade on from when it began operations. Announced on 31 August, Morales' decision comes amid ongoing tensions with the body over its calls to investigate him over illegal electoral finance as well as its participation in the prosecution of his son and brother on fraud charges. While Morales' decision regarding Cicig was within his authority, his subsequent decision to bar Cicig's chief, Iván Velásquez, from re-entering the country has been slammed as illegal by local human rights groups as well as setting the stage for a further stand-off with the United Nations (UN).

President Morales' announcement regarding Cicig, which will now terminate its functions in September 2019, came days after the 158-member unicameral legislature began considering another request to strip him of immunity from prosecution to be investigated over allegations of illegal campaign finance involving the ruling Frente de Convergencia Nacional (FCN-Nación) [WR-18-34]. Morales, who sought unsuccessfully to remove Velásquez back in August 2017 (when the first phase of investigations implicating him was announced), had made his discomfort with the United Nations-backed agency clear on repeated occasions. Morales declared that Cicig (which began operations in 2007) had been given "sufficient time" to "fulfil its objectives" and was no longer necessary.

Human Rights Watch (HRW), the international NGO, described Cicig in a recent press release as "one of the most effective anti-corruption mechanisms in Latin America today". Its achievements have been striking. They include forcing the resignation for corruption of former president Otto Pérez Molina (Partido Patriota, 2012-2015), as well as the indictment for corruption of three other former presidents as a result of investigations carried out by Cicig and the attorney general's office (AG). These are Alvaro Colom (Unidad Nacional de la Esperanza, 2008-2012), Alfonso Portillo (2000-2004) of the now defunct Frente Republicano Guatemalteco, and the late Álvaro Arzú (Partido de Avanzada Nacional, 1996-2000). In the same press release, HRW also highlighted "more than a dozen former ministers and even more ex-congressmen [and] the conviction of at least 58 people involved in six different drug cases".

Cicig continues to enjoy high levels of public support. As such, Morales' announcement met with widespread rejection (*see sidebar*). His decision, announced on 4 September, to bar Velásquez from re-entering the country (after he left for meetings in the US on 3 September) has further raised the stakes. In a statement released on 4 September, Stéphane Dujarric, a spokesperson for UN Secretary General António Guterres, noted that the UN secretariat has "serious concerns about this decision [to refuse Velásquez's re-entry], which it is currently reviewing and which does not appear to be consistent with the Agreement on the establishment of CICIG".

The statement says that Guterres has asked "Velasquez to continue at the helm of CICIG from outside Guatemala until there is more clarity on the situation". Meanwhile, local civil-society groups within the Convergencia por los Derechos Humanos are warning that the decision to bar Velásquez is illegal, suggesting that it could go before the constitutional court (CC) which has already once rejected Morales' attempt to expel the Cicig director.

Morales first tried to eject Velásquez a year ago, when Cicig and the attorney general's office (AG) first called for him to be investigated over illegal

## International reaction

Along with Human Rights Watch, other international organisations such as Transparency International (TI), the European Union (EU), the Inter-American Commission on Human Rights (IACHR), the Office of the UN High Commissioner for Human Rights (OHCHR), and the Canadian, Spanish and Swedish governments all warned that President Morales' decision to terminate Cicig's mandate represented a significant step backwards in anti-impunity efforts.

### Bitkov case

The Bitkovs arrived in Guatemala in 2009, claiming to have been victims of persecution by Russia's President Vladimir Putin. However, following an investigation by Cicig and the attorney general's office (AG), they were accused of criminal activity in collusion with civil servants running a corrupt scheme to issue false passports and identity documents. The investigation yielded 39 convictions, including various members of the Bitkov family. However, US Senator Marco Rubio, together with Senators Roger Wicker and Mike Lee and US Representative Chris Smith, had expressed concerns that Cicig had "been manipulated and used by radical elements and Russia's campaign against the Bitkov family in Guatemala".

campaign finance. The CC blocked this order, accepting an appeal presented by Human Rights Ombudsman Jordán Rodas, who argued that it did not comply with the requirements of the country's constitution because Morales acted unilaterally. In its ruling, the CC also invoked Article 12 of the agreement establishing Cicig, which states that any controversy between the UN-backed body and the government must be resolved through negotiation between the two sides.

### US response

The response by the US government led by President Donald Trump to the latest developments has been muted. The US embassy tweeted that it was "aware of" Morales' decision not to extend Cicig's mandate and would "continue to support Guatemala's fight against corruption and impunity". It is worth pointing out that, in recent months, some US politicians and lobby groups had been calling for the US position to be reviewed. While on 24 August the US government announced it would release the US\$6m earmarked for FY2017, this signalled a delay after US Republican Senator Marco Rubio, along with three other US legislators, called for the funds to be frozen back in May. This was in line with claims that the Russian government had unduly influenced Cicig in the treatment of the Bitkov family, a Russian émigré family living in Guatemala (see sidebar).

## HONDURAS | POLITICS

### An inauspicious start to dialogue

President Juan Orlando Hernández last week announced the relaunch of dialogue between the Honduran government and political opposition aimed at finding a solution to the post-electoral crisis. This stems from claims by the November 2017 presidential opposition candidate, Salvador Nasralla, that widespread fraud took place in the election. With Hernández continuing to face international criticism for his crackdown on anti-government protesters in the aftermath of the crisis, his announcement regarding the relaunch of dialogue comes as he faces further embarrassment over the high-profile 'Pandora Box' corruption case [\[WR-18-28\]](#): last week the attorney general (AG) ordered the seizure of assets belonging to members of the ruling Partido Nacional (PN) (as well as the traditional opposition Partido Liberal [PL]) in relation to the investigation.

The relaunch of dialogue, brokered by the United Nations (UN), was announced on 28 August, having foundered back in April after Nasralla pulled out, citing as grounds for his decision the PN's refusal to accept an international mediator and legally binding agreement. Nasralla, who ran for the Alianza de Oposición contra la Dictadura opposition coalition, also cited a lack of "political will" on the part of the government to resolve the political crisis. The latest attempt at dialogue, which is being facilitated by UN resident coordinator in Honduras Igor Garafulic, includes the PN, PL, and Nasralla's political outfit, since renamed Partido Salvador de Honduras, with four working tables to be set up to discuss the events of the 2017 electoral process & presidential re-election; human rights, constitutional reforms & strengthening the rule of law; and electoral reforms.

With the start of dialogue having already been met with scepticism given the absence of key political figures – not least President Hernández himself (see page 15 sidebar) – the renewed focus on the controversial election comes as the government has continued to face strong international criticism regarding human rights violations which took place in its aftermath. Most recently, on 3 August the Inter-American Commission on Human Rights (IACHR) released preliminary observations following a four-day visit to Honduras to analyse the human rights situation in the "post-electoral context".

## Key absences

The start of dialogue was hailed by OAS Secretary General Luis Almagro and the US embassy in Tegucigalpa. Yet some local commentators were critical given the absence of key figures such as President Hernández (who cited diary clashes) and ejected former president Manuel Zelaya (2006-2009), the Alianza Opositora's general coordinator and a prominent opposition leader.

In this report, the IACHR found that the state's response to the protests resulted in the deaths of "at least 22 people" (although the Centre for Justice and International Law [Cejil], a regional NGO, puts the figure at 38), with hundreds injured and over 1,000 arrested, many of whom claimed maltreatment. As well as noting reports of illegal raids by security forces, the IACHR also complained that so far no charges have been presented against any security official for involvement in the murders (concerns echoed by other international human rights groups such as Amnesty International).

### Moving against the two main parties

The same day that President Hernández announced the relaunch of dialogue, the AG ordered the seizure of assets belonging to members of PN and PL which include 46 properties, nine businesses, six vehicles, four bank accounts, and two certificates of deposits as well as both parties' headquarters.

The seizure of assets is in line with the investigation, unveiled in June by the AG and the Mission to Support the Fight against Corruption and Impunity in Honduras (Maccih), sponsored by the Organization of American States (OAS), which found that some HL282m (US\$11.7m) in public funds meant for agricultural, agro-industrial, and horticultural projects had been used to finance the political campaigns of both the PN and PL ahead of the 2013 general election (which gave Hernández his first victory) [[WR-18-28](#)].

Some 38 people have been charged with crimes such as abuse of authority, fraud, embezzlement, and money laundering. These include national deputies Rodolfo Irías Navas (former congress president, 1990-1994) and José Celín Discua, both from the PN, as well as Elvin Santos (PL), a former vice president (2006-2009) and former presidential candidate.

## TRACKING TRENDS

**EL SALVADOR | Exports to China up.** Shortly after the government led by President Salvador Sánchez Cerén severed ties with Taiwan in favour of mainland China, El Salvador's central bank (BCR) released a report, on 31 August, showing that, in the first seven months of 2018, the country's exports to China were up by 197.8% to reach US\$83.2m, while imports were US\$873.5m, up 13%.

Overall exports were up 3.6% over the same period to reach US\$3.56bn, while imports amounted to US\$6.73bn, up 12.2%.

**PANAMA | First LNG plant inaugurated.** The Panamanian government led by President Juan Carlos Varela and energy company AES have inaugurated Central America's first electricity generation plant based on natural gas. Varela said this had positioned Panama as "a liquefied natural gas [LNG] distribution hub in the region". Costing US\$1.15bn to construct, the plant is located in Colón city, the capital of the eponymous province, and has a capacity of 381MW.

Varela said that "this work is another example of what can be achieved when we join the efforts of government and private enterprise", pointing out that AES Panama is currently a mixed capital company of which the Panamanian state has 50.5%. The rest is owned by a subsidiary of the US company AES. President Varela also highlighted that more than 2,500 direct and indirect jobs were created with the construction phase, while the production period is likely to create 200 direct jobs.

The AES Colón Project comprises two stages, of which the LNG plant is the first. The second includes the construction of an LNG storage tank which is currently 87% complete and expected to enter into operation in 2019. Varela describes the plant as "one of the most important works carried out in the Panamanian energy sector, not only because of the magnitude of the investment, but also...the entry into the market of a new source of safe and reliable energy".

## Quotes of the week

“What we have to face is a basic problem, which is we cannot spend more than we have. This is not just another crisis. It has to be the last.”

*Argentina's President Mauricio Macri.*

“It is like a lobotomy of Brazilian history.”

*Brazilian opposition presidential candidate Marina Silva on the fire that destroyed the Museu Nacional.*

“Selective justice has served to intimidate and terrorise the population.”

*Guatemala's President Jimmy Morales justifies his decision to eject Cicig.*

## POSTSCRIPT

### Farc faces fracture

One year on from its formal baptism as a political party bearing the same initials, the re-styled Fuerza Alternativa Revolucionaria del Común (Farc) is confronting a serious internal rift. On the one side, the maximum leader of the Farc, Rodrigo Londoño Echeverri ('Timochenko'), is determined to embrace party politics in Colombia. On the other, Luciano Marín Arango ('Iván Márquez'), the number two in the Farc who negotiated the peace accord between the guerrilla group and the previous government, has not been seen for months, having retreated to a rural area of Farc influence in southern Colombia in April after renouncing his position as a senator.

The Farc party leadership, Consejo Nacional de los Comunes, held a three-day meeting in Bogotá this week to evaluate the implementation of the peace accord and the party's political performance. Only 82 of 111 leaders attended. Márquez was conspicuous by his absence. As was José Manuel Sierra ('El Zarco'), a former commander of the Farc's eastern bloc, Henry Castellanos Garzón ('Romaña'), a former commander of the Farc's 53rd 'front' dubbed 'the kidnapping czar', and Hernán Darío Velásquez ('El Paisa'), the former leader of the 'Teófilo Forero' mobile column.

All of these senior figures had demobilised and led reinsertion efforts in separate camps around the country. But they have all been missing for months, since criticising the arrest of former Farc leader Seuxis Pauxias Hernández ('Jesús Santrich') in April on drug trafficking charges presented by the US. They all hail from the more dogmatic branch of the Farc as opposed to the more pragmatic line espoused by Timochenko who has called for the party to present "clear and simple proposals without ideological ostentation or sectarianism" to the public.

The Farc leadership issued a statement praising the "gigantic steps" of the party, "in which nobody can act outside of the directives of the national leadership; whoever distances themselves from these criteria cannot expect the party's unconditional support; we invite those who for different reasons have withdrawn from our ranks to return..." This was clearly aimed at Márquez and other errant former commanders. It also "emphatically" disavowed support for dissident Farc groups. There is growing concern, however, that the disappearance of these senior former leaders and their no-show at the Farc leadership gathering constitutes a definitive rupture, and that they have abandoned the ballot box for bullets and will now encourage further desertions.



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Read the agenda and see the full speaker line-up: [www.chathamhouse.org/latin-america](http://www.chathamhouse.org/latin-america)

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