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Bolsonaro victory heralds new era for Brazil

Jair Bolsonaro has been elected the 38th president of Brazil, comfortably defeating the candidate of the left-wing Partido dos Trabalhadores (PT), Fernando Haddad, with 55.13% of the valid vote in the run-off on 28 October. He will take office on 1 January 2019. The culmination of a divisive campaign, Bolsonaro's victory marks not only a swing to the Right after four consecutive PT victories, but also the end of the hegemony of Brazil's traditional political parties. His supporters hope that he will usher in a new Brazil, free from crime and corruption, while his opponents fear that his election marks a step backwards to the authoritarian ways of past military rule.

Consistent with his unconventional campaign style, Bolsonaro delivered not one, but two victory speeches. He broke with tradition by first speaking to his followers via his *Facebook* page, before addressing the nation in a speech broadcast on national television and radio. If his first speech concentrated on his personal conviction to serve Brazil, with many thanks to God, his second insisted on unifying Brazilians and making the nation successful and prosperous, with full respect for democracy and freedom.

Past statements by Bolsonaro have exposed an apparent disregard for these two values, which contributed to the intense polarisation of the electorate ahead of the second round. Crudely put, Brazil became divided between the 'antipetistas' (anti-PT) and those who fundamentally rejected the authoritarian and offensive views frequently expressed by Bolsonaro and his inner circle.

The results of the second-round vote also show a deep socio-geographical divide: Bolsonaro won in 967 of Brazil's 1,000 most developed cities, while Haddad won in 975 of the 1,000 least developed cities. Haddad crushed Bolsonaro in the poor states of the North-east, while Bolsonaro collected significantly more votes in the wealthiest (and most populous) states of Minas Gerais, Rio de Janeiro, and São Paulo, as well as winning in the richer, whiter south of the country.

The distribution of votes, however, cannot simply be reduced to a rich-poor divide. Running for the small and previously insignificant Partido Social Liberal (PSL), Bolsonaro successfully harnessed support amongst voters from all socio-economic backgrounds by capitalising on the population's anger at corruption, insecurity, and lack of economic opportunity – anger mainly directed at the scandal-tainted ruling elites. This includes the PT. The left-wing party, which decried corruption while in opposition before succumbing to it when in power, held sway for 14 years under Lula da Silva [2003-2011], who is now serving a prison sentence for corruption, and Dilma Rousseff [2011-2016], who has been investigated as part of the same corruption probe and was impeached on unrelated charges.

Opposition forms

The defeated PT has said that it will build a resistance front to the incoming government and Fernando Haddad has committed himself to fighting in the opposition. But a left-wing opposition has already begun to form, without the PT. Leaders from the Partido Democrático Trabalhista (PDT), Partido Comunista do Brasil (PCdoB), and Partido Socialista Brasileiro (PSB) have reportedly met to discuss forming an opposition bench in the federal chamber of deputies, which would also try and counter the PT's "hegemony" over the parties with which it has traditionally been allied. The PT will have 56 deputies in the chamber of deputies from 1 January, while the PDT, PCdoB, and PSB combined will have 69.

Bolsonaro, a retired army captain, achieved notoriety during his seven terms as a federal deputy for his political incorrectness and attacks on women, people of colour and homosexuals, as well as for his open admiration of Brazil's military dictatorship (1964-1985). As he got ever closer to the presidency, public figures and the press at home and abroad warned against the risk that he might represent to democracy, the rights of minorities, and freedom of the press and of expression.

At the same time, Bolsonaro began moderating his tone as he tried to shed his reputation for being misogynistic, racist, and homophobic, and repeatedly expressed his commitment to democracy and to respecting Brazil's constitution. He, nonetheless, maintained his criticism and vilification of the PT, and sent a number of worried voters into Haddad's camp with an inflammatory speech one week before the second round, in which he essentially spoke of purging Brazil of the opposition.

The broadly conciliatory tone of Bolsonaro's victory speeches and the measured explanations for past controversies given during interviews this week contrast with the aggressive rhetoric of much of his campaign, conducted primarily on social media (especially since he was stabbed in early September). As well as lacking concrete policy proposals and presenting frequent contradictions, the PSL campaign was marked by Bolsonaro having to explain away provocative statements by members of his inner circle, including his running mate Antonio Hamilton Mourão (a retired army general) and son, federal deputy Eduardo Bolsonaro. As a result of this frequent seesawing, it remains unclear exactly what Bolsonaro's priorities are, and how he will tackle the challenges that lie ahead.

Voters alienated by Bolsonaro's campaign rhetoric will be hoping that his pragmatic post-electoral rhetoric will prevail and that his presidency will bring about the country's long-awaited economic renewal. His commitment to reducing Brazil's public debt and the appointment of a liberal economist, Paulo Guedes, as his future finance minister drive this belief.

Bolsonaro's team has already confirmed that he will stand by his promise of reducing the number of government ministries by almost half (there are currently 29), with the aim of cutting costs and increasing efficiency. A pension reform has been declared a top priority, not only by Guedes, but also by Onyx Lorenzoni, designated to be chief-of-staff, and Mourão, now vice-president-elect. Incumbent President Michel Temer had all but abandoned the idea of passing a pension reform before the end of his term, but Bolsonaro has said he is keen for the current federal chamber of deputies to push forward with it.

While acknowledged as necessary, a pension reform is a costly political move as it is unpopular with the general population and represents a constitutional amendment, which requires a three-fifths majority in congress. Whether or not parts of the reform are approved before the new government takes office, Bolsonaro has indicated that he is committed to its approval. Other economic strategies touted by Guedes, which meet with the approval of the business and financial sectors, are the independence of the central bank and the privatisation of state-owned companies.

This economic optimism is countered by well-founded fears of what a Bolsonaro presidency will mean for social and environmental rights. Early on in his campaign, Bolsonaro said that he would stop government funding to NGOs to put an end to the "political intriguing of human rights". More recently he said that one of his first proposed bills would be to classify actions by social movements Movimento dos Trabalhadores Rurais Sem Terra (MST) and Movimento dos Trabalhadores Sem Teto (MTST) as terrorism.

Protests

International observers have praised Brazil for its smooth and peaceful electoral process on 28 October, and fears that the election results would be followed by a wave of violence seem to have been largely unfounded. However, small protests against President-elect Bolsonaro have been staged by students, trade unions, and civil society movements across different cities this week. A university in Brasília had to resort to calling the police to contain clashes between pro- and anti-Bolsonaro groups on its campus.

Bolsonaro has also shown himself to be opposed to affirmative action, saying that racial quotas encourage stigma and a culture of “victimhood”. Since being elected, Bolsonaro has repeated his intention of forcing *Folha de São Paulo*, one of the country’s leading newspapers, to close down by scrapping its government-funded advertising. Bolsonaro disparages *Folha*, which he accuses of propagating fake news against him.

Following Bolsonaro’s victory, international NGOs Amnesty International (AI) and Human Rights Watch (HRW) put out statements raising concerns about the future of human rights in Brazil, and saying they would closely monitor Bolsonaro’s presidency, while expressing their hope that Brazil’s institutions would resist any attempt to undermine human rights, the rule of law, or democracy. Human rights NGOs are also fearful that a culture of permissiveness towards intolerance and hate crimes could now flourish in Brazil.

Greenpeace released a similar statement with regards to the environment. Bolsonaro has previously indicated that he would consider following in the footsteps of US President Donald Trump and withdraw Brazil from the 2015 Paris Agreement on climate change, in order to regain national sovereignty over the Amazon and open up protected areas to agriculture, mining, and infrastructure projects. The confirmation that his government will merge the agriculture and environment ministries worries environmentalists, who predict a weakening of environmental safeguards to the detriment not only of Brazil’s indigenous population and environmental defenders, but also the world at large.

Crime and corruption

At the heart of Bolsonaro’s campaign message was his promise to tackle two of Brazil’s biggest problems: crime and corruption. So far, scant details have been provided on how he intends to proceed with combating either one. On the former, proposed security policies have included the liberalisation of gun ownership laws, giving police license to kill criminals, lowering the penal age from 18 to 16, and tightening public security laws by ending provisional release for example. Public security experts argue that these policies will neither effectively tackle Brazil’s high homicide rates nor the serious overcrowding of its prisons, which contributes to growing the ranks of criminal gangs.

On corruption, Bolsonaro’s only move so far has been a symbolic one. He has offered the position of justice minister to Sérgio Moro, a federal judge often held up as an anti-corruption icon for his work in prosecuting many of the accused in the ‘Operation Car Wash’ corruption probe. As we go to press it has been announced that Moro has accepted the role.

The real test will come when Bolsonaro takes office and starts working with the legislature; in a system that has been built on endemic corruption, Bolsonaro will have the difficult task of finding a new way of governing and building alliances if he is to stick to his promise of ending the practice. The PSL significantly expanded its presence in the federal chamber of deputies and the senate in congressional elections on 7 October, and from 1 January 2019 it will shed its status as a fringe party. But despite winning 52 seats in the chamber of deputies, which will make it the second largest bloc after the PT with 56, and four in the senate, the PSL will be nowhere near a majority: there are 513 seats in the lower chamber and 81 in the senate.

If, as many of his supporters claim, Bolsonaro’s bark is worse than his bite and he does truly represent change from the corrupt leaders of the past, another of the challenges ahead will be to show the 47m Brazilians who voted for Haddad and the 42m who voted for neither candidate that he is truly committed to governing for the country as a whole, and not just for those who buy into his fiery brand of socially conservative populism.

Regional reaction

Regional governments were swift to congratulate Jair Bolsonaro on his victory. This included Venezuela's President Nicolás Maduro, who urged Bolsonaro to "restore diplomatic relations based on respect, harmony, progress, and regional integration". The latter issue is a source of real concern for member states of the Southern Common Market (Mercosur) given Bolsonaro's equivocal stance on the customs union. At best, it seems Mercosur will not be a priority for the incoming Brazilian government, which could look to free itself from some of the bloc's fetters; at worst is the underlying fear of a possible 'Braexit'.

State governors elected

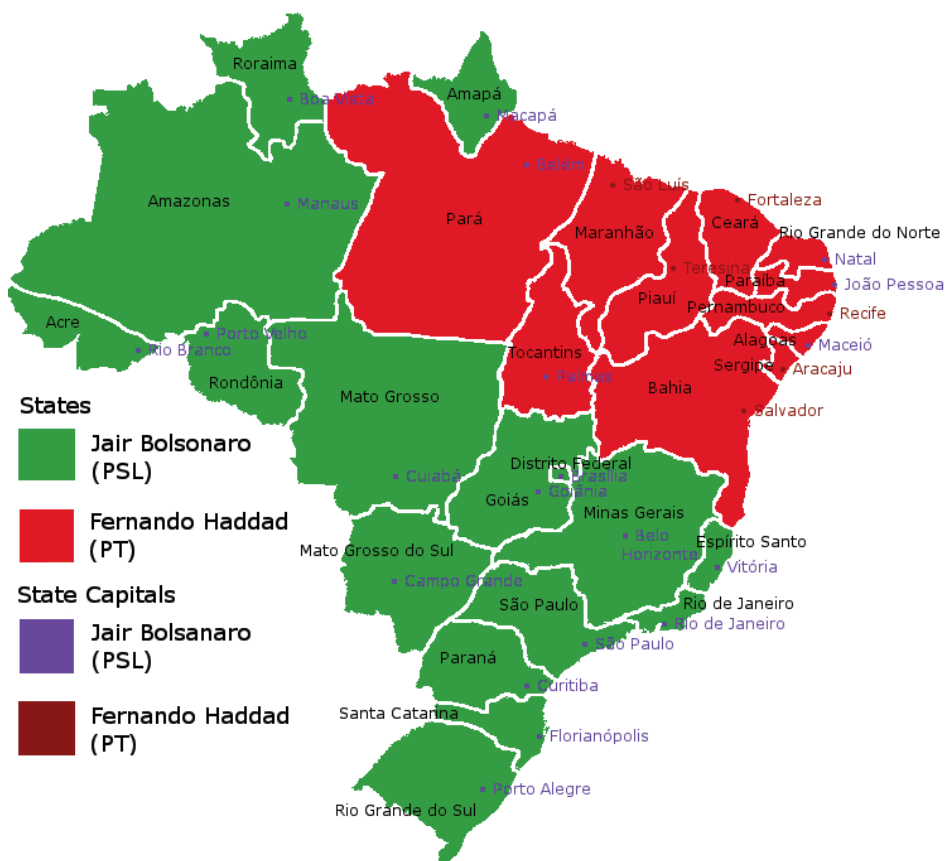
The second round of the presidential contest was not the only election held on 28 October. Fourteen states also voted for their state governor in a second round. Brazil's other 13 states had elected a governor outright with an absolute majority on 7 October. The final results of the gubernatorial race mirror the fragmentation in congress, with a total of 13 parties represented across the leadership of the 27 states, four more than in the 2014 elections.

The PT won four states in the North-east (three through re-election) and will be the party with the highest number of affiliated governors. However, it lost Acre, which it had governed for the past 20 years, and Minas Gerais. Minas Gerais was won by Romeu Zema of the relatively new and growing right-wing Partido Novo (Novo).

In a reflection of their presidential and legislative defeats, the establishment centre-right parties, the Partido da Social Democracia Brasileira (PSDB) and Movimento Democrático Brasileiro (MDB), will govern in three states each, half as many as now. The PSDB kept hold of the state of São Paulo, the country's largest electoral college, by a small margin, with candidate João Doria winning the run-off with just 51.75% of the valid vote.

President-elect Bolsonaro's PSL won three state governorships in its first-ever contests. It will govern in the southern state of Santa Catarina, the Amazonian state of Rondônia, and the northern state of Roraima, which borders Venezuela and has been feeling the effects of migration from the neighbouring country: Bolsonaro is expected to take a very tough line on the government led by President Nicolás Maduro.

Bolsonaro knows that he will also have support from the governors of the country's wealthiest and most populous states, the *café com leite* states of Minas Gerais and São Paulo, as well as Rio de Janeiro (where Wilson Witzel, representing the Partido Social Cristão [PSC], comfortably beat Eduardo Paes, a former mayor of Rio city).



Keiko Fujimori jailed for three years

A judge sentenced opposition leader Keiko Fujimori on 31 October to three years of preventive detention, pending further investigation of bribe-taking from Odebrecht, the Brazilian civil engineering company. The decision may upend Peruvian politics.

Judge Richard Concepción ordered Fujimori, the leader of the right-wing Fuerza Popular (FP), the country's main opposition party, to spend three years in preventive detention, on charges of laundering money for Odebrecht and of seeking to obstruct the subsequent investigations. Fujimori had already spent a week in detention in October before being released on appeal. She is accused of accepting an illicit campaign contribution of US\$1.2m in the 2011 presidential elections.

Concepción also referred to recent leaks of conversations from La Botica, an online chat group used by the FP leadership, which show the party was orchestrating attacks designed to undermine the credibility of José Domingo Pérez, the prosecutor in the case against Fujimori, and to defend the attorney general Pedro Chávarry, at the centre of a major corruption scandal in the judiciary. This, Concepción said, indicated the presence of a "suspected criminal organisation, which began to interfere with the justice system".

The decision is a major blow for Fujimori and her party, both of whom deny wrongdoing. FP has been in disarray in recent weeks, and it is not yet clear how it will recover. The party has zigzagged between angry attacks on the government led by President Martín Vizcarra and calls for a new constructive dialogue.

As recently as 29 October Fujimori had called for talks without preconditions on a "national re-encounter" which she said should go ahead irrespective of the outcome of her trial. But after Fujimori was jailed for three years the party adopted a much angrier tone. Deputy Miguel Torres, who as head of the 'transition committee' is the temporary party leader (following the resignation of general secretary José Chlimper last week), described Fujimori as "the first political prisoner in Peru" and went on to say her treatment was "shameful", with the three-year detention dictated by a judge who lacked impartiality, violating both due process and the presumption of innocence.

The government is in no rush to start talks with FP. Torres had written a letter formally requesting talks on a "consensus agenda" for the country but, according to Prime Minister César Villanueva, the government's immediate answer is "not now". The La Botica chats, where Vizcarra is described as a "liar" and a "traitor", may have played a part. Villanueva said the government would wait until Fujimori's legal situation was clarified. He said, "They've insulted the president with words that are inappropriate in political discussion. So, in time, let's see whether things change to allow us to talk with everyone, not just with one party".

One of the key decisions facing FP is whether it should seek confrontation – strikes and demonstrations to try and force Fujimori's release – or whether it should adopt a lower key and persist with calls for dialogue. While still the largest party in the country, the corruption allegations have eroded FP's support and bolstered the popularity of Vizcarra.

Flight risk

Judge Richard Concepción ruled that Keiko Fujimori was "a serious flight risk" as there was "serious suspicion" that she was involved in money laundering connected to Odebrecht. Fujimori's lawyer, Giulliana Loza, said that she would appeal her client's three-year preventive detention next week.

Machado
María Corina Machado, the leader of Venezuela's more radical opposition party Soy Venezuela, said the only outcome of political dialogue to date has been "to give the regime more oxygen". Machado and her team were attacked and beaten by government supporters during a visit to Upatá, in the eastern state of Bolívar, on 24 October.

There is also a real possibility that Fujimori's political career could be at stake. If she ends up serving the three-year prison detention (which is subject to appeal) she could see her chances of running for the presidency a third time in 2021 sharply reduced. Fujimori's vicissitudes might provide an opportunity for her brother Kenji Fujimori at some stage in the future to assert control over the party that expelled him and conduct a thorough clear-out.

VENEZUELA | POLITICS

Maduro puts out feelers

A new attempt to initiate talks between the government led by President Nicolás Maduro and the political opposition is underway. Given the consistent failure of previous mediation efforts, expectations are not high.

Back in August President Maduro said he was prepared to talk to the opposition. He is reported to be interested in some kind of approximation ahead of 10 January, when he is due to be sworn in for another presidential term, following his re-election in May this year, in polls that were widely condemned by independent observers as fraudulent, and which were boycotted by the main opposition parties.

An attempt at some kind of dialogue is being put together by the Boston Group, a loose contact forum first formed in 2002 and consisting of members of the US and Venezuelan legislatures, including members of the ruling Partido Socialista Unido de Venezuela (PSUV). A key figure in the group is US Republican Senator Bob Corker, chairman of the Senate's foreign relations commission (who is due to retire after November's mid-term elections). Corker is working with Jim Tull, a Harvard trained conflict management specialist.

Corker visited Caracas in October along with his adviser on Latin American affairs, Caleb McCarry. Tull is reportedly planning a visit. All three men have been involved in Venezuela before. They took part in negotiations leading up to the release in May of Joshua Holt, a US missionary from Utah, who had been imprisoned in Venezuela for two years on weapons charges.

According to Boston Group sources who spoke to *Reuters* news agency, the initial proposal is modest – simply to exchange ideas through a facilitator. The sources say at this stage the group is definitely not trying to mediate, negotiate, or arbitrate, but that it is simply trying to open communication channels. This echoes efforts by the European Union (EU). In mid-October the EU's High Representative for Foreign Affairs and Security Federica Mogherini said that the EU had decided to "explore the possibility of establishing a contact group" to see if conditions were in place in Venezuela "to facilitate not a mediation...or a dialogue, but a political process", involving the government and opposition [[WR-18-41](#)].

Neither the efforts of the Boston Group nor the EU are going down well with the country's main opposition groups. On 28 October three of the principal opposition parties, Primero Justicia (PJ), Voluntad Popular (VP), and La Causa Radical (LCR), issued a joint statement saying that the conditions for a negotiation with the government are simply not present.

The three parties argued that Maduro's sole aim in a negotiation would be to "gain time and an appearance of legitimacy" while deepening repression of opponents against a background of the intensifying humanitarian crisis. They made it clear that in their view the only way forward would be for the government to nominate new electoral authorities and convene fresh general elections.

ICC wades in

James Kirkpatrick Stewart, a prosecutor at the International Criminal Court (ICC), who is on a visit to Colombia, has also weighed in on the controversy over reform of the Jurisdicción Especial para la Paz (JEP). Stewart claimed that a special military chamber at the JEP could slow down justice, restrict investigations, and cast doubt on the trustworthiness of rulings. He also said that military court magistrates could override rulings from other parts of the JEP, and that there is a worry that the possible naming of military officials as judges would undermine impartiality. Stewart said that he would present his serious doubts about the initiative during a speech he is scheduled to give at Bogotá chamber of commerce on 1 November.

In contrast Cambiemos, the party of the moderate opposition (and dissident chavista) former presidential candidate Henri Falcón, said it was prepared to support a new dialogue, on the proviso that it was free from foreign intervention. Henrique Capriles Radonski, a former opposition presidential contender, is also thought to be more open to talks on certain conditions.

Russia and China offering help

In an apparent coincidence senior officials from both Russia and China have been in Caracas in the same week, both advising the government on how to try and overcome its deep economic crisis.

Yu Bin, a senior member of China's Council of State, was reported to have discussed the country's economic recovery programme with government officials. In a public talk Yu spoke of China's efforts to reduce inflation and open up its economy. Without apparent irony, Venezuelan Vice President Delcy Rodríguez said the Chinese experience showed the importance of planning and central control of the economy.

A Russian visiting mission to Venezuela was meanwhile led by deputy finance minister Sergei Storchak, who was also sharing his experience of economic reform.

Both China and Russia have helped Venezuela with loans; the country's difficulties mean some of these have had to be rescheduled or rolled over.

COLOMBIA | POLITICS

Uribistas press for reform of transitional justice court

For the past two months, Colombia's ruling right-wing Centro Democrático (CD), led by former president (2002-2010) and incumbent senator Álvaro Uribe, has been driving attempts to create a special chamber to deal with the crimes committed by members of the military within the Jurisdicción Especial para la Paz (JEP), the transitional justice court set up following the signing of the peace deal with the Fuerzas Armadas Revolucionarias de Colombia (Farc) to handle cases related to the country's internal armed conflict.

Legislators from the CD want members of the military to be given the opportunity to be tried by the JEP (which issues more lenient punishments than a normal court) like the demobilised Farc guerrillas. The CD wants military officers to be tried by different JEP judges and under different procedures to those applied to demobilised guerrillas to ensure that the military are treated fairly.

However, the CD's efforts to push the initiative, which would require a judicial reform, through congress has been blocked by opposition legislators who fretted that the proposal could undermine the JEP and by extension the peace deal. The impasse led to a remarkable cross-party meeting of legislators held on 27 October that brought together sworn political enemies in an attempt to save the CD's proposal and the peace accord.

Although on 26 October Uribe was seen trading insults in the senate with former leftist presidential candidate Senator Gustavo Petro, the following day the pair formed part of a marathon seven-hour meeting that also included Senator Iván Cepeda, another long-term Uribe detractor, and several legislators of the Farc's political party Fuerza Alternativa Revolucionaria del Común.

The unprecedented and highly unusual meeting did not produce an agreement. But it was nonetheless hailed as positive by opposition legislators, who said that the two sides were in agreement that the peace deal should remain

Iván Márquez

Colombia's high commissioner for peace, Miguel Ceballos, has urged one of the Farc's most senior leaders, Iván Márquez, whose whereabouts are unknown, to appear before the Jurisdicción Especial para la Paz (JEP) without delay. "Márquez was head of the Farc's peace negotiating team. It would be wrong if he were not to present himself and respect the transitional justice system that was created in this process," Ceballos said.

intact. Senator Roy Barreras, of the Partido de la U (PU), claimed that the politicians had avoided a "dismemberment" of the JEP, while Farc Senator Carlos Antonio Lozada said that the meeting showed that Uribe and the CD recognise the peace deal and the JEP.

While debates over the future of the JEP rumble on, the transitional court has been kept busy. High on the agenda is the US extradition request for former Farc leader Seuxis Pauxias Hernández ('Jesús Santrich'), who was arrested in April after allegedly conspiring to ship 10 tonnes of cocaine to the US. The JEP has requested evidence from the US in order to rule on the request, which could have major implications for the peace deal, which includes a provision that those tried by the body will not be eligible for extradition to the US.

The JEP's decision hinges on whether the alleged crimes were committed before the peace deal was signed in November 2016, in which case it would have jurisdiction over the case, or after, which would mean that Santrich is eligible to be extradited and face trial in the US. Extraditing Santrich could shake the confidence of other former Farc members in the peace deal and the JEP.

The court is also dealing with the case of another former Farc leader, Hernán Darío Velásquez ('El Paisa'), who has failed to respond to its request for him to give evidence related to the crimes in which he has been implicated. Velásquez is the only one of 31 former Farc commanders not to submit information to the JEP and it is feared that he may have joined up with dissident Farc factions. President Iván Duque said that if Velásquez commits another crime he would be punished by the full force of the law given that, through omission, he has opted not to remain in the peace process.

As the JEP continues to work, its defenders in congress appear to have headed off attempts to reform the court for now. But Uribe and the CD may still seek to push through the reform before the end of the current congressional session on 15 December.

Large new force deployed to Catatumbo

President Iván Duque has activated a rapid reaction force (Fudra Número 3) to combat illegal armed groups in the conflict-torn region of Catatumbo in the department of Norte de Santander, bordering Venezuela.

"We will work on cooperation, justice, and security to bring an end to the scourge of violence in Catatumbo so that criminals no longer feel they can intimidate the local inhabitants," Duque said, during a ceremony held in Ocaña, the second-most populous municipality in Norte de Santander, on 28 October.

Accompanied by the defence minister, Guillermo Botero, and the military top brass, Duque said the 3,000-strong rapid reaction force would complement the work already being done by the army, police, and attorney general's office to end the violence in Catatumbo and ensure that the constitution "is imposed". He said it would have "an offensive and dissuasive capacity", while respecting human rights.

Duque said that he had come to Catatumbo to "honour my word". Tibú, one of 11 municipalities in Catatumbo and the epicentre of violence, drug trafficking, and contraband smuggling in the region, was Duque's second port of call after his investiture in August [WR-18-32]. Duque promised that during his first 100 days in office, which concluded this week, he would "strengthen the operational capacities of the security forces" to confront criminal groups in the Catatumbo, where the 'Camilo Torres' front of the country's second-largest guerrilla group, Ejército de Liberación Nacional (ELN), and Los Pelusos, comprised of remnants of the Ejército Popular de Liberación (EPL) guerrilla group, vie for control of drug trafficking routes into Venezuela. Catatumbo saw a 14% increase in coca cultivation in 2017.

The political cost of pension reform

Chile's privatised pension system is widely admired. Brazilian president-elect Jair Bolsonaro is promising to introduce a Chilean-style defined contributions system to solve his country's pension crisis. But there is a problem. Most Chileans do not actually think their system is very good at all. President Sebastián Piñera has just announced a set of pension reforms; getting them through congress could turn out to be a politically costly affair.

Chile's privatised pension system was introduced during the military regime in 1980. One of its architects was José Piñera, President Piñera's elder brother. Central to the system was the creation of private sector pension companies, known as Administradoras de Fondos de Pensiones (AFPs). Employers were to pay into AFP-administered individualised pension accounts. Pensions eventually paid out would depend on the level of contributions and on how well these funds performed. At the time William Thayer, a former labour minister, said it would take 40 years to determine the true benefits and costs of the new system.

Those 40 years are nearly up, and there is a decidedly mixed verdict. Supporters of the system point to the massive growth in the value of pension funds (now calculated to be worth nearly US\$200bn) and the contribution they have made to deepen Chile's capital markets. Critics say pensions are just unacceptably low. Indeed, a presidential commission under the previous government found that 79% of pensions were less than the minimum salary, and 44% were below the poverty line.

Surveys show that the proportion of the population trusting the AFPs has dropped from 30% in 2008 to only 6% in 2016. In part, low payments are due to labour market flexibility. Workers who switch jobs and have periods when they are not paying in are penalised. The system also discriminates against women who do not work full time or who have breaks in employment.

The government set out its proposed pension reforms this week. President Piñera acknowledged that an ageing population, insufficient contribution rates, poor-paying jobs, and high unemployment had all conspired to reduce pay-outs. The employers' pension contribution, currently 10% of salary, is therefore to be raised in stages to 14%. The government's contribution to a 'solidarity pension fund' is to be raised from 0.8% of GDP to 1.12%, with additional funds earmarked for the middle class, women, and those who decide to delay their retirement date. Proposals to introduce greater choice and competition among AFPs, originally made by the previous centre-left government, have also been partly incorporated. Overall the package will cost an estimated US\$3.5bn.

The ruling right-of-centre Chile Vamos coalition lacks an outright majority in congress, and will therefore have to negotiate with the opposition parties to get the changes approved. Leonardo Suárez, an economist at LarrainVial, a Chilean group specialised in providing financial services as well as investment and finance consultancy, says it is highly likely that the pension reform package will be significantly modified as a result of congressional negotiations.

The challenge for President Piñera is to push through the changes without significant loss of popularity. According to a survey by GfK Adimark, Piñera's approval rating was up three percentage points to 48% in October. A long and divisive argument about pensions could begin to erode that otherwise impressive number.

Opposition to pension reform

Getting the pension reform approved is not going to be an easy task. Within hours of the announcement several thousand protesters, convened by pension lobby group No + más AFP, were marching in Santiago. Labour confederation Central Unitaria de Trabajadores (CUT) dismissed the reforms as insufficient. CUT general secretary Nolberto Díaz said he opposes the obligatory nature of AFP contributions, and wants an alternative to the AFP system.

New corruption case poses more trouble for Fernández

It has taken five years, but on 29 October a massive money-laundering trial, known as 'la ruta del dinero K' finally had its first day in court. It will not be over quickly. This particular Argentine scandal is a journalist and storyteller's delight. If proven in court, the allegations would appear to have a bit of everything: a bank clerk who became one of Argentina's richest businessmen but ended up in prison; a kleptocratic ruling family; sackfuls of illicit dollars so large they had to be weighed rather than counted; and a complex network of paper companies (many registered in the US state of Nevada) used for money-laundering purposes. Perhaps more significantly, it also illustrates the politicisation and inefficiency of the Argentine judiciary.

Those accused in the case include businessman Lázaro Báez, his four sons, and another 20 defendants. The central story is that they laundered millions of US dollars of fraudulently obtained public money on behalf of the Kirchner family: former presidents Néstor Kirchner (2003-2007) and his wife and successor Cristina Fernández (2007-2015). Specifically, it is alleged that between 2010 and 2013 a complex structure of companies and overseas bank accounts was used to launder around US\$60m. Báez, who was a close associate of Kirchner going back to the late president's time as governor of the southern province of Santa Cruz, was allegedly what is known as a 'testaferro' – a front man and money handler for the presidential family.

The case first came to public attention more than five years ago, in March 2013, when investigative television journalist Jorge Lanata got the first scoop. It was he who gave the case its 'K-money route' name. With Fernández in office at the time, pro-government media did not take kindly to the allegations. Young financiers Federico Elaskar and Leonardo Fariña (now among the 20 co-defendants) gave multiple interviews denying everything. Fariña, who subsequently turned state's witness as part of a plea-bargaining deal, is notorious for a later comment: "they wanted fiction" he said, "so I gave them fiction".

But the government of the day also had some help from inside the judiciary. Officials under prosecutor-general Alejandra Gils Carbó, widely considered at the time to be a pro-government Kirchnerista, decided to focus their investigations on the smaller fish and did not even formally accuse Báez of any wrongdoing. Judge Sebastián Casanello, also seen by some as sympathetic to the government, dragged his feet, asking various state entities for corroborating evidence and other documents which failed to materialise.

In spite of this, the case returned to centre stage in March 2015 when a video came to light showing one of Báez's sons and various of his associates smoking cigars and drinking whisky as they counted out bundles of cash worth US\$5m. That finally prompted Judge Casanello to issue a preventive detention order for Báez senior. The businessman – many of whose companies are now bankrupt – has remained in prison over the last two years.

Notably, Casanello initially sought to keep Fernández out of the case, but was forced by a higher court to cite her as a witness. She submitted a written statement to the court in September, denying having received any illicit payments. The case of course remains highly political, given that Fernández is considering running for another presidential term in the October 2019 general election (*see sidebar*). Fernández faces a total of six corruption cases, and has two arrest warrants (which cannot be served because, as a serving senator, she enjoys immunity from prosecution).

Fernández

Opponents of former president Cristina Fernández say the corruption cases show why she must be denied another spell in power. Fernández and her supporters, on the other hand, say she is the victim of political persecution on trumped-up charges. The 'K-money route' trial is expected to take around six months, meaning a verdict might be reached around five months before next year's elections.

López Obrador ditches airport scheme

A bad mistake that could set Mexico back 10 years. This is how critics have described the decision by Mexico's President-elect Andrés Manuel López Obrador to abandon the project to build an entirely new international airport for Mexico City (NAIM). The US\$13.3bn NAIM project, which is already under construction, has been billed as a key infrastructure development project that would help to boost the country's medium- and long-term economic development. But after holding a public consultation on the issue, in which the public voted against the NAIM project, López Obrador announced that his incoming administration would cancel the project and pursue an alternative scheme instead – a decision which has been negatively received by business leaders and the markets.

There is a general consensus in Mexico that the country needs to expand its airport capacity in order to accommodate its booming tourism sector. There is also a general agreement that this would be best achieved by increasing the capacity of its main destination and transport hub – Mexico City. But not everyone agrees on the best way to do this. The outgoing government led by President Enrique Peña Nieto decided that the best solution to this problem was to build a brand-new state-of-the-art airport in the Texcoco area of the Estado de México (Edomex), and it launched the megaproject early in 2015.

Throughout his electoral campaign and after his election, López Obrador has consistently said that in his view the NAIM was a 'vanity project' that was too expensive and did not represent the best option for the country. He advocated scrapping the NAIM (which is currently 30% complete) for an alternative plan that involves overhauling the existing Mexico City international airport as well as the nearby Toluca international airport in Edomex, and the repurposing and expansion of the existing Santa Lucía military airbase located in Tecámac, Edomex. López Obrador maintained that his proposal would be cheaper than the NAIM with an estimated cost of US\$5.12bn and would be easier to deliver. He said he would cancel the NAIM project as soon as he takes office.

Consultation

Yet the near-unanimous support for the NAIM project from Mexico's business sector led to López Obrador committing to hold a public consultation on the matter in which the people would be presented with the pros and cons of each of the two projects and asked to select their preferred option. He was adamant that his administration would respect whatever decision was supported by the public even if he did not personally agree with it.

NAIM supporters hoped that the consultation could save the project. However, López Obrador and his Movimiento Regeneración Nacional (Morena) could not call a constitutionally sanctioned and legally binding referendum due to time and financial constraints (with Morena expected to foot the bill instead of the electoral authorities). The consultation was held in just 538 of the country's 2,463 municipalities from 25 to 28 October. The municipalities included in the consultation were spread across the country but mostly concentrated in Mexico City and the central areas of the country that would be most affected by the decision.

Critics complained that the limited scope (less than 2% of all registered voters were due to take part in the consultation) and lack of independent oversight of the consultation exercise undermined its legitimacy. Indeed, some accused López Obrador and Morena of staging a sham consultation

Irregularities

The irregularities reported by the press mostly centre around lax identification controls at the polling booths set up by Morena, raising concerns about people being able to vote more than once. In fact, a journalist from a local daily, *El Universal*, has said that she was able to vote five times in different polling stations. There have also been allegations of ballot stuffing by Morena officials in charge of manning polling stations.

Setback

On 31 October Alexandre de Juniac, the president of the International Air Transport Association (IATA), reacted to the announcement of the cancellation of the Mexico City international airport (NAIM) project by saying that it could set back Mexico's aviation sector by five to 10 years. "The cancellation of the new airport is bad news for Mexico. This country and this city desperately need to increase airport capacity," De Juniac said, noting that the existing Mexico City international airport is the busiest in Latin America, hosting over 44m passengers a year and is now completely saturated. De Juniac also predicted that the decision would result in Mexico losing 20m visitors a year, US\$20bn in lost income, and the loss of some 200,000 potential jobs.

process designed to allow him to take advantage of his widespread public support to win what should be a strictly technical discussion. The local press denounced a series of irregularities observed during the consultation process (see page 11 sidebar).

Nonetheless, the consultation went ahead as planned and afterwards it was announced that 69.5% of the 1.09m people that took part voted against continuing with the NAIM project and in favour of the Santa Lucía proposal. Following the release of the consultation results, on 29 October, López Obrador publicly announced that his administration would abandon the NAIM project and develop the Santa Lucía proposal as soon as he assumes office on 1 December. "Our decision is to obey the mandate of the citizens. So, we are going to build two new runways at the Santa Lucía military airbase, improve the existing Mexico City international airport, and reactivate the Toluca airport," López Obrador said in a press conference.

Negative reaction

In his press conference, López Obrador insisted that the Santa Lucía proposal would effectively solve the current problem of the saturation of Mexico City's international airport within three years, rejecting the claims made by some aviation experts that his plan will encounter technical problems due to the overcrowding of the airspace that is to be shared by the three nearby airports. He was also adamant that his government would ensure that none of the firms awarded contracts related to the NAIM project would be left out of pocket. López Obrador said the firms would be offered similar contracts in the Santa Lucía project or be paid fair compensation.

López Obrador's announcement was deplored by local business leaders. In a press conference, the Consejo Coordinador Empresarial (CCE) business sector lobby said that the cancellation of the NAIM project would send the wrong message to investors and increase uncertainty by undermining the previous commitments assumed by the Mexican state, as well as raise questions over the rule of law in the country. The CCE added that the cancellation would also affect Mexico's international image and confidence in its economy. "The message being sent to citizens, to the international markets, to firms and investors is that there is no certainty in the contracts signed," CCE president Juan Pablo Castañón concluded, calling on López Obrador to reconsider.

The CCE's warnings were immediately borne out. Following López Obrador's announcement, the investment bank Morgan Stanley issued a note to its clients advising them against investing in Mexican assets, noting that it now expects a fall in overall private sector investment in Mexico as result. The international credit ratings agency Moody's Investors Service downgraded its rating of the bonds issued by the Mexico City airport development fund to finance the NAIM project (and which López Obrador said would now be used to finance the Santa Lucía project) from 'Baa1' to 'Baa3'. Mexico's stock exchange (BMV) fell by 4.2% on 30 October.

The value of the Mexican peso fell by 3.6% against the US dollar to trade at M\$20.35/US\$1 on 31 October. This is the first time that the peso has broken the M\$20/US\$1 threshold since June when it was affected by the uncertainty surrounding the renegotiation of the North American Free Trade Agreement (Nafta). The negative market reaction has led local economists to warn that the NAIM's cancellation will lead to the central bank (Banxico) being forced to increase interest rates to stop capital flight and contain inflation. This would, in turn, result in lower levels of economic activity in the short and medium term. Meanwhile, others noted that the incoming López Obrador administration will now have to allocate funds in the 2019 budget to pay for compensation (estimated at US\$5.9bn by the CCE) or deal with any lawsuits linked to the cancellation of the NAIM project, which could undermine the incoming government's finances.

Human rights

The secretary general of the Organization of American States (OAS), Luis Almagro, called upon the Ortega administration this week to accept the recommendation of the Interdisciplinary group of independent experts (GIEI) to create a special prosecutor to carry out an independent investigation into the “systematic and repeated violation of human rights” during the violence of the last six months. The GIEI was set up on 2 July under an accord between the government, the OAS and the Inter-American Commission on Human Rights (IACHR). Concerns about human rights violations could mount after the Nicaraguan police revealed on 31 October that a group of 39 police instructors had received training in military tactics in a mountain camp.

Relations between Church and State reach nadir

The government led by President Daniel Ortega accused the Nicaraguan Church this week of plotting a coup with far-right sectors at home and abroad. The allegation was based on an audio tape published by state media purporting to contain the voice of the auxiliary bishop of Managua, Silvio Báez, calling for more pressure to be brought to bear on the government to force it to the dialogue table. At this tense juncture, the US ambassador to Nicaragua, Laura Dogu, delivered a strikingly candid valedictory address to members of the American Chamber of Commerce (Amcham) in which she argued that the country’s “caudillo model needs to end now and power and opportunity need to be shared with everyone”.

The foreign minister, Denis Moncada, accused “certain sectors” of the Nicaraguan episcopal conference (CEN) of “planning and organising chaos with the far-right” to topple the Ortega administration. “These ecclesiastical sectors have replaced their Catholic, Apostolic, and Roman work with conspiracy, terrorism, and coup-mongering,” Moncada said at a ‘forum of peace and solidarity with Nicaragua’ in Managua on 26 October attended by representatives from 18 different countries. “[They are] manipulating religion for the political ends of destabilisation, rupture of the constitutional order, and illegal change of government, ignoring the Nicaraguan rule of law,” Moncada added.

Moncada singled out for praise “our brothers” at the Comunidad San Pablo Apóstol, a church in Managua, who passed on an audio tape to the government of a meeting, apparently recorded days earlier, between Báez and local community leaders. State media said that the voice of Báez could be heard calling for more pressure, such as erecting fresh roadblocks, to compel the government to ask the Church to renew its mediating role in the dialogue process that broke down in June. On 31 October the community presented a petition it said had been signed by 284,000 people calling on Pope Francis to assign a different role to Báez.

Báez claimed that the audio tape had been manipulated and that he was “the victim of a campaign of repression, defamation, and bullying”. The CEN and Cardinal Leopoldo Brenes, the archbishop of Managua, expressed their full support for Báez. Thousands gathered in and around Managua cathedral in a show of support for Báez on 28 October when Father Silvio Romero concluded a homily citing Saint Oscar Romero. “This is not a problem between the government and the Church, but between the government and the people; the Church is with the people and the people are with the Church,” Romero said, quoting his namesake. During a recent event alongside Ortega to mark the canonisation of Romero, El Salvador’s ambassador to Nicaragua, Carlos Ascencio, intimated that Romero would have backed the government because he “valued the struggle of the Nicaraguan people in their conquests in 1979” [[WR-18-41](#)].

It was against this backdrop that Ambassador Dogu addressed the Amcham. Dogu did not mince her words. “There will not be a return to business as usual without transformative change to restore free elections, the separation of powers, the rule of law, and the protection of the human rights of [the country’s] citizens,” Dogu said, adding that “Nicaraguans yearn for a fair country with economic opportunities for everyone; where corruption and political cronyism do not limit opportunities to only a few”. She acknowl-

Violence

The military and police were out in force across the Cibao. One Haitian citizen was shot dead by police while burning tyres in Los Tocones in Santiago. Security forces broke up blockades of burning tyres erected on roads in Monseñor Nouel and Puerto Plata in the northern Cibao.

edged that the US had been “part of the problem” in the past, but insisted that it now “stands with the people of Nicaragua”. Dogu, succeeded by Kevin Sullivan, said the US was ready to work with members of the ruling Frente Sandinista de Liberación Nacional (FSLN) “seeking democratic reform”.

As far as the Ortega administration is concerned, however, nothing separates those advocating democratic reform from coup plotters. Vice-President and First Lady Rosario Murillo claimed in a message broadcast by official media on 26 October that “they [protesters] wanted to destroy us but they couldn’t, let alone the Nicaraguan soul”.

Amid deepening tensions, three members of the Centro por la Justicia y el Derecho Internacional (Ceji) were expelled from the country on 26 October for failing to provide requested authorisation with sufficient notice. They had visited Nicaragua from Costa Rica, invited by the Inter-American Commission on Human Rights (IACHR). A mission from the International Monetary Fund (IMF), meanwhile, completed a week-long working visit to Managua on 31 October. It warned that the economy faced “multiple shocks”, the effect of which could be exacerbated without structural reforms. The IMF said these reforms would “require obtaining broad support”, but the president of the country’s largest private sector lobby Cosep, José Adán Aguerri, was adamant that this would not be forthcoming without a political accord.

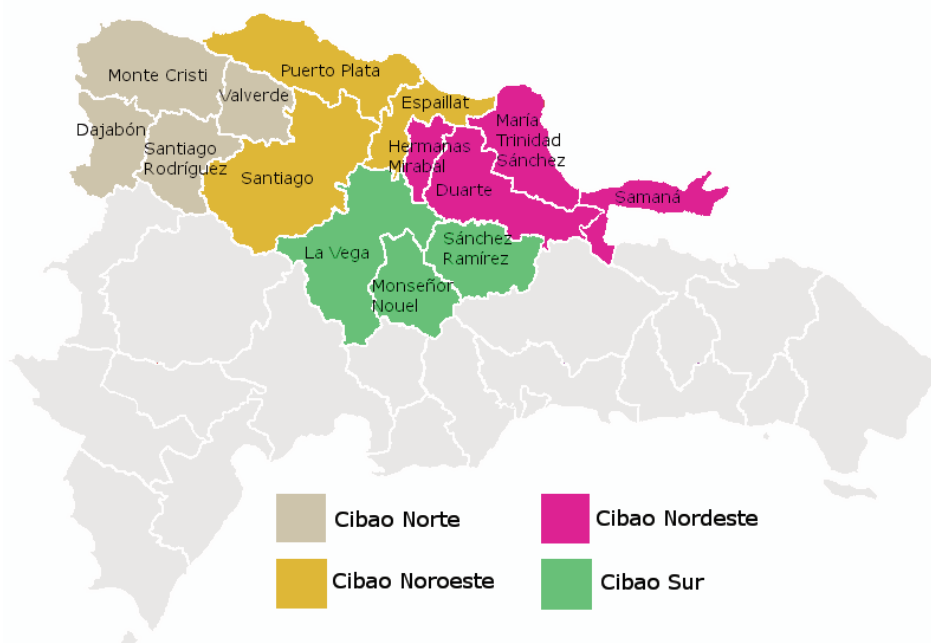
DOMINICAN REPUBLIC | POLITICS & ECONOMY

Strike exposes resentment over inequality

One person was killed and 48 arrests were made during a 24-hour strike on 29 October in the Cibao region, comprising 14 provinces in the north of the Dominican Republic. The strike was spearheaded by the umbrella civil society group Frente Amplio de Lucha Popular (Falpo) which made a series of demands, including better basic services and improved infrastructure. Raw statistics reveal little reason for a strike: the national economy is growing strongly, unemployment is falling, and inflation is very low. But this has fuelled frustration, especially in the four north-eastern provinces in the Cibao, where income inequality is high.

Falpo, which is composed of transport unions, as well as community groups, social organisations, and popular protest movements, called the strike to demand more public works and to denounce insecurity, femicides, unemployment, a lack of hospitals and drinking water, frequent power cuts, and the poor state of roads. The catalyst for the strike was anger at constantly increasing fuel prices.

The strike took place in all 14 provinces in the Cibao (where some 4m people live, around 40% of the national population), but was concentrated in Santiago (of which the country’s second-largest city, Santiago de los Caballeros, is the capital), and Espaillat in the northern Cibao; Monseñor Nouel in the southern Cibao; and Duarte, Hermanas



Labour minister resigns

Panama's labour minister, Luis Ernesto Carles, tendered his resignation to President Juan Carlos Varela on 29 October, to join the campaign team of the ruling PPA's presidential candidate José Blandón some six months ahead of the general election in Panama. Carles had held the position since Varela took office on 1 July 2014. There have been three strikes during that time, the most serious of which was organised by Suntracs last May. Varela appointed Zulphy Santamaría to replace Carles. He also named Michelle Muschett to replace Alcibiades Vásquez as social development minister. Vásquez, who like Carles had held the post for four years, resigned to run as a deputy for the Central American parliament (Parlacen).

Mirabal, and María Trinidad Sánchez in the north-eastern Cibao. Numerous shops remained shut and public transport was scarce, preventing many people from journeying to work and children from getting to school. Falpo claimed that more than 95% of transport services were not operating.

Just days before the strike, the governor of the Dominican central bank (BCRD), Héctor Valdez Albizu, revealed that the economy is still growing strongly, expanding by 6.9% in the first nine months of the year on the same period in 2017. GDP growth was driven by the construction sector (10.9%) and free trade zones (12%). Accumulated inflation for the first nine months of the year was just 1.52%. Unemployment, meanwhile, fell from 5.9% in the third quarter of 2017 to 5.5%, with 150,000 more jobs created in the last 12 months.

In early October President Danilo Medina celebrated the fact that the size of the middle class in the Dominican Republic had surpassed the proportion of the population living beneath the poverty line for the first time. During his presidential campaign in 2012, Medina said that it was possible to assess the success of a country by the size of its middle class. He said the Dominican middle class now made up 30% of the population, with 25.5% living in poverty (3.8% in extreme poverty). Medina added that it was essential to construct "a strong middle class to transfer its wealth to future generations".

The strike, however, casts a light on the growing sense of grievance among those who feel they are still not benefitting from the national 'wealth', the product of years of stellar economic growth. It was noteworthy that the strike was most keenly felt in the Cibao Nordeste, which has the lowest poverty rate in the country (15.4%) but the highest inequality.

PANAMA | POLITICS

Panama City mayor to run for presidency

Panama's presidential line-up ahead of next May's elections is now complete. José Isabel Blandón Figueroa, the mayor of Panama City, emerged victorious in the primary elections of the ruling Partido Panameñista (PPA) on 28 October, while Saúl Méndez, the construction workers' leader, completed the field by securing the candidacy of the left-wing Frente Amplio por la Democracia (FAD).

Blandón won 57% of the ballots cast in the PPA primary elections, with his closet challenge among 10 candidates being former housing minister Mario Etchelecu (2014-2018) on 38%, according to results published by the electoral tribunal (TE). Some 368,000 PPA supporters took part in the elections, which also saw legislative and mayoral candidates selected.

In his victory speech, Blandón reached out to Etchelecu, inviting him to join his campaign team in a sign of internal party unity. Blandón said the PPA paid little attention to electoral polls (in which the party is languishing) but "knows how to win elections". The scale of the task ahead, however, was not lost on him. "We face the enormous challenge of making history and becoming the first party to win two consecutive elections [a feat not achieved since the return to democracy in 1989]," Blandón said. His principal opponents are Laurentino Cortizo and Rómulo Roux, of the opposition Partido Revolucionario Democrático (PRD) and Cambio Democrático (CD) respectively.

Méndez, the secretary general of the Sindicato Único de Trabajadores de la Construcción y Similares (Suntracs), won 93% of the vote for the FAD (see sidebar). He is fiercely critical of the traditional political class, but while this populist discourse has met with success elsewhere in the region, it is unlikely to be sufficient to propel him into contention in Panama.

Quotes of the week

“I make you my witnesses that this government will be a defender of the constitution, democracy, and freedom. This is not the promise of a party. This is not the promise of a man. It is an oath to God.”

Brazil's President-elect Jair Bolsonaro.

“On 1 December not only will the government change but the whole regime, which will make it possible to elevate our country to the status of one of most honest [in the world]...there will be no corruption, I guarantee it, I have absolutely no doubt that we are going to expunge corruption.”

Mexico's President-elect Andrés Manuel López Obrador.

“We will not hesitate to raise our voices to denounce this political persecution.... What has happened today has no name. It is an attempt to silence Keiko's voice...it will not be achieved...Keiko, you're not alone.”

Fujimorista deputy Miguel Torres on the three-year preventive detention of Keiko Fujimori.

Central American migrant caravans march on

The migrant caravans that have left Central America's 'Northern Triangle' countries (El Salvador, Guatemala, and Honduras) in recent weeks continue their inexorable march north, towards the US, despite many choosing to turn back and efforts to stop those who do keep going from entering Mexico from Guatemala.

The first caravan, which left San Pedro Sula in Honduras on 13 October and at its peak comprised some 7,000 migrants, reached the southern Mexican state of Oaxaca early this week. Upon reaching the city of Juchitán de Zaragoza, migrants requested buses to cover the 700km that separated them from Mexico City. The request was ignored and they have taken up their march again. Members of the International Committee of the Red Cross have been attending to the migrants, while the local population has been handing out water and food, and calling out encouragement to the migrants as the caravan walks by.

Meanwhile, a second caravan, made up principally of Hondurans, has succeeded in crossing the Guatemalan border into Mexico despite police barriers erected by the Mexican authorities. Migrants clashed with the police after breaking through the metal barriers at the border on 28 October, resulting in one death and several people being injured. The following day, thousands of Hondurans managed to enter Mexico by crossing the Suchiate river, wading through water up to their necks. They have handed themselves over to the Mexican authorities to request asylum. Two other caravans have also now set off from El Salvador. The latest one to leave, on 31 October, is at least 1,345-strong according to the International Organization for Migration, although numbers could exceed 1,700.

The Mexican government has condemned the violent incidents at the border and reiterated its willingness to help migrants who comply with the law. On 26 October, Mexico's President Enrique Peña Nieto announced the 'Estás en tu casa' ('you are at home') plan which gives migrants who have requested asylum the temporary right to work and to access services such as healthcare while their request is being processed, on the condition that they remain in the southern states of Chiapas or Oaxaca.

The US government led by President Donald Trump has reacted to all this by militarising its border with Mexico in a bid to stop the Central American migrants from trying to enter the country illegally. The US Department of Defense has deployed 5,200 active-duty personnel to reinforce security at the southern border, a number which Trump has said could increase to 15,000. Trump maintains that he will not let the caravans, which he claims are made up of criminals, into the US, and has threatened to close the border with Mexico if the migrants do not stop. With the US mid-term election around the corner, on 6 November, Trump is unlikely to soften his stance.

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