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Combating the repercussions of Venezuela's crisis

Venezuela began to receive humanitarian aid from the International Committee of the Red Cross (ICRC) on 16 April. Just two days earlier, during a visit to Cúcuta, the US Secretary of State, Mike Pompeo, had urged the de facto president Nicolás Maduro to “open these bridges, open these borders” to allow in humanitarian aid stockpiled in the Colombian border city for two months. This, however, is not the humanitarian aid that Maduro wants. While there are hopes that the ICRC assistance will help to alleviate some of the most pressing needs of the population, Venezuela's crisis continues to have a major impact on many countries in the region and, for different reasons, on two in particular: Colombia and Cuba.

“Legally, through the port of La Guaira, the airport of Maiquetía, in coordination with the constitutional, legitimate, government of Venezuela which I preside over, all humanitarian aid is welcome,” Maduro said in a televised address, upon the arrival of the first ICRC aid shipment, containing essential medical supplies and equipment, and electricity generators. This pointedly excludes the humanitarian aid that the opposition figurehead and widely recognised interim president, Juan Guaidó, tried with minimal success to force into Venezuela from Cúcuta on 23 February, which Maduro claimed was part of a plot to destabilise his government.

Maduro has long claimed that Venezuela does not require humanitarian aid (while simultaneously saying that Cuba, China, and Russia, have been providing it for many months) but he conceded the need for an “economic miracle” during a rally on 13 April to mark the 17th anniversary of the restoration to power of his late predecessor Hugo Chávez (1999-2013) after a 48-hour coup. Maduro called on the “51,743 popular defence forces” in the Bolivarian national militias to devote themselves to food production. Addressing thousands of supporters and militias on the Paseo de los Próceres, a Caracas avenue lined with tanks and anti-aircraft guns for the occasion, Maduro did not explain how this would work in practice, merely that the militias, which he said numbered some 2m, would need to pick up a hoe while balancing a rifle on their shoulders. The commander of the militias, Major General Carlos Leal Tellería, said the militias would rise to the challenge as they constitute “the soul of the people... revolutionary men and women... prepared to defend the homeland in any circumstance”.

After a visit to an assistance centre in Cúcuta the following day, Pompeo addressed Maduro directly, saying “I hope you will care now, when you see the horror, when you see the tragedy, to change your ways and to leave your country”. While Pompeo's combative remarks grabbed the headlines, ahead of meeting the US secretary of state, President Iván Duque announced an ‘impact plan’ for six Colombian border departments, which have absorbed more than 1.5m migrants, to confront the effects of Venezuela's humanitarian crisis.

Reaching out to China

On the same day as the Lima Group summit, Juan Guaidó published a letter appealing directly to China “whose leaders know exactly what’s happening here... [to] contribute as the great power that it is and help facilitate the political transition that we so urgently need”. Guaidó, conscious that China has major financial interests in Venezuela, which it is reluctant to jeopardise, reiterated his “disposition to work together in the future”, insisting that the relationship would “blossom” if Venezuela “abandon[ed] a model of governance that’s ruined us economically”. He urged China “to add its voice to this chorus” calling for the restoration of democracy in Venezuela, promising “a willing, open and more reliable partner in Caracas”.

Colombia

During a meeting in Cúcuta with the governors of Arauca, Cesar, Guainía, La Guajira, Norte de Santander, and Vichada, Duque said that the Col\$712bn (US\$229m) plan would consist of promoting investment, competitiveness, and new jobs; humanitarian and health attention; and institutional strengthening. Duque announced, inter alia, a special credit line of Col\$200bn (US\$64.2m) from the Financiera de Desarrollo Territorial (Findeter), a mixed public-private stock corporation tied to the finance ministry, for social infrastructure, education, health, construction, aqueducts, sanitation, and renewable energy projects, and another credit line of Col\$100bn from the Colombian development bank Bancóldex to promote business growth and foreign trade.

Humanitarian aid from the ICRC will not stop the flow of migrants from Venezuela to Colombia but it might slow it. The day before its arrival, foreign ministers representing Western Hemisphere nations in the Lima Group meeting in Santiago, Chile, had called for “urgent humanitarian assistance to the population and migrants fleeing the country”. In a 17-point declaration, they also made a special appeal to China, Cuba, Russia, and Turkey to rethink their foreign policy stance given “the negative impact that their support of the illegitimate Maduro regime” is having on Latin America, and pointedly rejected “foreign interference” in Venezuela, calling for the immediate exit of all foreign security and intelligence forces, in a clear reference to Russia and Cuba.

Cuba

Cuba, like Colombia, is bearing the brunt of Venezuela’s crisis, not because of an influx of migrants but because its closest ally cannot maintain the economic support which sustained the Cuban government under Chávez. Addressing an extraordinary session of the national assembly on 13 April, Cuba’s President Miguel Díaz-Canel accused US President Donald Trump of consigning “bilateral relations to their worst level in decades”. They are about to get worse. As we went to press the US national security adviser, John Bolton, was poised to lift the suspension on Title III of the 1996 Helms-Burton Act, allowing lawsuits in US courts against foreign companies doing business in Cuba over property expropriated after the Cuban Revolution [[WR-19-09](#)]. This could act as a serious deterrent for foreign investors in Cuba.

Díaz-Canel had emphasised the importance of foreign investment during his address to the national assembly, when he said that “clear and defined priorities” would have to be set to avoid “returning to the difficult moments of the ‘Special Period’”. Díaz-Canel unveiled a three-stage economic plan (2019-2021; 2022-2026, and 2027-2030), focusing on six strategic sectors: biotechnology and the pharmaceutical industry; tourism; renewable energy sources; construction; food production; and export of professional services. Economy Minister Alejandro Gil said that the first stage would see “tough financial restrictions”, with support for local development and self-sufficiency projects, and a drive to promote exports and attract foreign investment, which he said had fallen short of expectations.

The Special Period followed the dissolution in 1991 of the USSR, which supplied Cuba’s oil needs and accounted for 70% of its trade. At the time of Chávez’s death in 2013, Venezuela supplied 60% of Cuba’s oil needs and accounted for 44% of its trade. Venezuela paid some US\$5bn per annum for the professional services of some 40,000 Cuban doctors, nurses and teachers, and provided 105,000 barrels per day of oil at a preferential rate. Venezuela remains Cuba’s main economic partner, but these figures have fallen by half to 20,000 and 50,000 respectively. Cuba’s regime has proven adept at survival and has faced worse odds, but Fidel Castro was at the helm then. The fledgling Díaz-Canel faces a stern test with hawks in the US government keen to ratchet up the pressure on Venezuela, knowing it will also impact Cuba.

Correístas march against Moreno**Spying centre**

President Moreno implied on 16 April that former president Correa had financed “a spying centre” in Ecuador’s embassy in London led by Julian Assange. Speaking during an event held by the US think tank Inter-American Dialogue, Moreno said that Correa was conspiring to destabilise his government and return to power. Questioned how Assange would have been able to set up the “spying centre” in Ecuador’s embassy, Moreno cited the poem by Spain’s Golden Age poet and satirist Francisco de Quevedo, ‘Poderoso caballero es Don Dinero’ (‘Money talks’).

President Lenín Moreno’s decision to revoke the diplomatic asylum of Julian Assange has deepened his personal animosity with former president Rafael Correa (2007-2017). While the majority of Ecuador’s political parties were supportive of the decision, which led to the sudden arrest on 11 April of the Wikileaks founder who had been residing in Ecuador’s London embassy for almost seven years [WR-19-14], *Revolución Ciudadana* (RC), the left-wing party loyal to Correa, who granted Assange asylum in 2012, staged a protest march in Quito on 16 April.

“You cannot go into the house of someone who welcomes you with affection, offers you food, and looks after you, and start to denounce the owner of the house,” President Moreno said after announcing the arrest of Assange and the removal of “a thorn in our side”. Speaking during a public event in Latacunga, the capital of the central province of Cotopaxi, Moreno said asylum should be granted to “people who really deserve it, not miserable hackers whose sole intention is to destabilise governments”. The interior minister, María Paula Romo, added that the Moreno administration would not allow Ecuador to become “a centre for hackers”, while claiming that Assange had been disrespectful and aggressive to embassy staff and “smeared his own faeces on embassy walls”.

Moreno said that he had obtained guarantees from the British government that Assange would not be extradited to a country where torture is permitted. This is meaningless for Correa supporters as in British eyes this would not exclude the US. Correa, meanwhile, fulminated against the decision on Twitter, branding Moreno “the biggest traitor in the history of Ecuador and Latin America” for allowing the British police into Ecuador’s embassy in London to arrest Assange. “Moreno is corrupt, but what he has done is a crime which humanity will never forget,” Correa said. “Rarely has such cowardice and human baseness been seen...this is one of the most atrocious acts of servility, vileness, and revenge,” he added, saying the decision “humiliates Ecuador and is a day of national mourning”.

The foreign minister, José Valencia, appeared for two hours before the national assembly to justify the decision to revoke Assange’s diplomatic asylum. Valencia repeated many of Moreno’s arguments, adding that Assange had violated the agreement not to interfere in the sovereign affairs of other countries, repeatedly violating the norms established in the 1928 Havana Convention on Asylum and the 1954 Caracas Convention on Diplomatic Asylum. Valencia also claimed there were “inconsistencies” in the process of naturalisation of Assange as an Ecuadorean citizen in 2017. The national assembly voted by 82-31 in favour of a resolution to back Moreno’s decision to allow Assange’s arrest, with the traditional opposition siding with the government.

Correísta deputies firmly opposed the decision, organising a protest march in Quito for 16 April. The protest was well-attended but Assange was only the catalyst for the march as one of the participants, Edwin Jarrín, a former vice president of the fourth branch of government, Consejo de Participación Ciudadana y Control Social (Cpccs), noted. Protesters accused Moreno of ordering Assange’s arrest in order to distract attention from the INAPapers corruption case in which he is implicated [WR-19-14] but they also railed against his government’s neoliberal economic policies, austerity, and recent deal with the International Monetary Fund (IMF).

Challenges ahead for new prime minister

Kuczynski

President Vizcarra also discussed the arrest of his predecessor Pedro Pablo Kuczynski (2016–2018) last week, saying that he fully respected the separation of powers and the investigations being undertaken by the attorney general's office, but stressing that the use of preventive detention in Peru was "sometimes excessive". Vizcarra also called for investigations to proceed "in accordance with the principles of impartiality, legality, and transparency, guaranteeing the former president's right to due process".

Peru's prime minister Salvador del Solar led a delegation of cabinet ministers on 11 April to hold talks with the Fuerabamba community group over the open pit copper mine Las Bambas in the southern-central region of Apurímac. The community group agreed to unblock the access route to Las Bambas, while the government announced the withdrawal of the military and police sent to the area to impose a state of emergency. But a first technical meeting to thrash out the dialogue agenda on 16 April did not go according to plan. Del Solar's difficulties were compounded by the resignations of two of his ministers a week after he and his cabinet won a vote of confidence in congress.

Del Solar led a ministerial commission to the district of Challhuahuacho in the province of Cotabambas, Apurímac, on 11 April to discuss details of proposed public works and development projects in a bid to end the social conflict over Las Bambas definitively. Bishop Miguel Cabrejos, the president of the Conferencia Episcopal Peruana (CEP), and the ombudsman, Walter Gutiérrez, also participated in the talks.

Del Solar promptly met one of the nine demands of the Fuerabamba community group by saying that the government would present a bill to congress to modify the distribution of royalties and the 'canon minero', paid by extractive industries, to communities and not just local and regional governments. But the first technical talks to agree upon a dialogue agenda, also in Chahuahuacho, held on 16 April, were not a success with members of the Fuerabamba community group claiming that the government had barred them from participating in the meeting.

Del Solar was also forced to reshuffle his cabinet after Edmer Trujillo, the transport and communications minister, and Carlos Bruce, the housing minister, resigned on 14 April after meeting President Martín Vizcarra. Trujillo walked after facing severe criticism over his initial handling of the Las Bambas conflict and a fire on a bus in a Lima terminal which claimed 17 lives on 31 March. Trujillo, who had been kept on by Del Solar in the post he took up a year ago, said he had decided to resign to avoid further damage to the government. The attorney general, Zoraida Ávalos, last week included Bruce, and four congressional deputies, in an investigation into a criminal organisation allegedly headed by the former mayor of the north-western city of Chiclayo, David Cornejo, accused of bribery and influence trafficking.

Del Solar said the government could not permit itself the luxury of allowing the ministers to defend their corner in office. Vizcarra relies on strong popular support, without which he would be unable to maintain political pressure on congress, dominated by the main opposition Fuerza Popular (FP, Fujimoristas), and become weak and vulnerable. There are signs that it is slipping. Vizcarra's approval rating fell from 56% to 44% between March and April according to an opinion survey published by the local pollster Ipsos this week, with 48% of respondents citing corruption in his government or failure to confront it.

Vizcarra appealed to congress on 11 April to expedite the passage of judicial reform proposals sent by his government. In a televised message designed to show the public that congress is to blame for the delay, Vizcarra called for the reform proposals to be given the attention demanded by the people. He said that without the approval of the proposals there was no specialised prosecutorial system to combat official corruption, asset laundering and related crimes. He said it was his fondest wish that a "renewed democracy" for Peru would be in place in time for the bicentennial celebrations of independence in 2021.

35/35

On 11 April, President Bolsonaro and his cabinet celebrated the successful completion of all 35 goals set for their first 100 days. During a ceremony marking the occasion, Bolsonaro and some ministers signed off on 18 acts which addressed the goals that had not yet been met. These included a draft bill on the autonomy of the central bank, the repeal of invalid or ineffective decrees, and a decree to transform environmental fines into conservation actions. Arguably, all goals have not been met. For example, the distribution of a 13th salary to beneficiaries of the Bolsa Família programme, although confirmed, will not happen until the end of the year.

Cracks show in the ruling party

It was only just over a year ago that President Jair Bolsonaro, at the time federal deputy for the Partido Social Cristão (PSC) in the Brazilian congress, switched party allegiances and adopted the Partido Social Liberal (PSL) as the vehicle for his presidential campaign. The PSL proved to be the perfect platform, conflating Bolsonaro's national-conservative discourse with its existing liberal economic and law-and-order stance. Bolsonaro was successfully elected president, and the PSL leapt from being a 'for hire' fringe party to the largest one in the federal chamber of deputies, with 55 representatives now. However, the absence of established ties between party members (many of whom are serving their first term as elected politicians) and the political structure that they integrated has translated into a lack of cohesion and sometimes even confrontation – not only within the party base in congress, but also between PSL representatives and the government.

As well as presenting differing opinions on key government policies, the PSL has been divided in its response to allegations that some of its members embezzled funds through phony candidates during last year's election [[WR-19-06](#)] and disunited in its reactions to President Bolsonaro's handling of the fallout of various scandals, including some involving his politician sons (two of whom are also PSL affiliates). While there have been many criticisms of Bolsonaro from within the PSL, the harshest condemnation to date probably came on 14 April, when national daily *O Estado de São Paulo* published an interview with the PSL leader in the chamber of deputies, 'Delegado Waldir' Soares de Oliveira.

In the interview, Soares de Oliveira describes himself as an "independent, critical" party leader and unashamedly admits to having directly criticised the president on several occasions. He openly attacks Olavo de Carvalho, a maverick ultra-conservative philosopher who is understood to have significant ideological influence on the Bolsonaro family and parts of government. And he slams Bolsonaro's original political strategy of negotiating with thematic caucuses rather than party benches in congress, saying that this approach has "criminalised" congress and led to the absence of a governmental support base in the legislature.

Faced with ongoing tensions and a stalemate with congress on the advancement of the pension reform [[WR-19-12](#)], Bolsonaro has recently begun to change his strategy and approach party leaders, something which Soares de Oliveira recognises and even takes credit for.

In what might be a sign of change in Bolsonaro's governing style, he has not publicly responded to Soares de Oliveira's diatribe. This has avoided a public (or *Twitter*) argument as the government is attempting to smooth out tensions with the legislature, especially as the chamber of deputies' constitution and justice committee (CCJ) began debating the pension reform on 16 April. However, Soares de Oliveira's comments confirm an absence of party unity which could still jeopardise the government's unstable support base in congress.

Reports that the CCJ's leader, PSL first-time federal deputy Felipe Francischini, has expressed irritation with the government's lack of strategy highlight the fragility of the Bolsonaro government's relationship with its PSL allies, as well as with congress as a whole.

Bolsonaro snubbed by US museum

The American Museum of Natural History (AMNH) in New York has said that it will no longer host a gala dinner organised by the Brazilian-American Chamber of Commerce, during which Brazil's President Bolsonaro is to be honoured as the Chamber's person of the year. The AMNH came under pressure to revise its decision to host the ceremony honouring Bolsonaro in light of his disdain for environmental conservation. Critics of Bolsonaro have celebrated the AMNH's decision. The Brazilian-American Chamber named the Brazilian president its 'person of the year' in recognition of "his strongly stated intention of fostering closer commercial and diplomatic ties between Brazil and the US."

The PSL's internal coherence has been further brought into question as one of the party's federal deputies for the state of Minas Gerais, Alessandra 'Alé' da Silva, declared last week that she had received death threats from a fellow PSL representative and member of government, Tourism Minister Marcelo Álvaro Antônio. As reported by *Folha de São Paulo* on 13 April, Silva gave a spontaneous statement to the police on 10 April relating to Álvaro Antônio's suspected involvement in phony candidate schemes in Minas Gerais during last year's election (during which he successfully ran for federal deputy).

Silva says that she fears for her life and that she is now being shunned by members of the party, notably PSL president Luciano Bivar (who has also been implicated in phony candidate schemes). Álvaro Antônio has dismissed Silva's accusations as a defamation campaign motivated by a political dispute at local level in Minas Gerais. The chamber of deputies is nevertheless considering Silva's request for police protection. Silva insists that she remains loyal to the party and to Bolsonaro.

Amid this confusion, yet another PSL federal deputy has spoken to the press recently, to defend the party's unity. In an interview with independent news site *Poder360* published on 15 April, Beatriz 'Bia' Kicis Torrents de Sordi described the PSL as "one big family". A first-time federal deputy, Torrents de Sordi is one of two new PSL deputies who ran for a different party last year and have since switched allegiance. "Sometimes we fight, we argue, but everyone gets on in the end," she says of her new party.

Torrents de Sordi recognises that the PSL has displayed a lack of cohesion but affirms that the party is becoming ever more unified as its representatives gain experience. She smoothed over Soares de Oliveira's criticisms and assured that congress will approve the government's pension reform, while taking into account the Brazilian population's concerns on it. The pension reform should be put to a plenary vote in the chamber by the end of June according to the latest estimates by Rodrigo Maia, the president of the chamber of deputies from the Democrat (DEM) party, who is a staunch defender of the reform, but has had run-ins of his own with the Bolsonaro government over it.

ARGENTINA | POLITICS & ECONOMY

Macri faces race against time

Argentina's President Mauricio Macri is acutely aware that unremitting inflation could scupper his hopes of re-election in October. In the first quarter of the year, inflation reached 11.8%, the national statistics institute (Indec) reported on 16 April, driven by the depreciation of the peso and an increase in utility tariffs, and food and transport costs. As we went to press, the day after these chastening figures were released, Macri announced measures to try and mitigate the biting impact of inflation and give himself a fighting chance of securing re-election.

Twelve-month inflation hit a high of 54.7% in March, according to Indec, surpassing annual inflation of 47.6% in 2018, which was the highest official figure since 1991. Food inflation (64%) and transport inflation (67.5%) were even higher, decimating the purchasing power of the poor and eroding the confidence that the middle class had in President Macri to resolve the serious economic problems he inherited from his predecessor Cristina Fernández (2007-2015).

The Indec report was published while the federal senate was holding an extraordinary session to discuss other issues, but opposition senators did not miss the opportunity to criticise the Macri administration. Senator María de los Ángeles Sacnun of the main opposition Partido Justicialista (PJ, Peronists),

Foreign trip
President Macri announced on 16 April that he had cancelled a foreign trip to France and Belgium scheduled for between 25 and 30 April, when the general strike is due to be staged. Macri said it was not the right time to be away from the country.

for instance, called on Macri to “change course from his horrific policies”. And change course, to some extent, is precisely what he did the very next day.

Ahead of Indec’s publication of the latest inflation figures, Macri said that inflation had peaked and would be eradicated “step by step”. This was a bold prediction but on 17 April he revealed how he intends to rein in galloping inflation with a series of economic measures directly targeting it. The government will suspend further planned increases in electricity and gas tariffs, and transport fares, until the end of 2019. It also struck an accord with 16 companies to freeze the price of 60 essential food products, and with mobile service operators to fix prices, for the next six months, a time period that will expire just as presidential elections are held in late October.

Widespread price controls are anathema to Macri, but this is clearly a case of needs must. He cannot win re-election if monthly inflation between now and October continues at this rate (it was 4.7% in March). These latest measures are intended to complement the government’s economic reform programme with the International Monetary Fund (IMF).

The managing director of the IMF, Christine Lagarde, expressed her support for the Macri administration’s efforts to right the listing economy on 11 April during the IMF and World Bank spring meeting in Washington. “Our assessment is that the Argentine economy is at the point where it is going to bottom out,” Lagarde claimed. “So much hard work has been done, in a programme where social protection has always been one of our three key priorities, it would be foolish on the part of any candidate to turn their back to the work that is underway,” she added.

This admonition appeared to be directed at Fernández, who is widely tipped to run for the presidency again. Sergio Massa, the leader of Frente Renovador (FR) who also aspires to compete against Macri in October on the PJ ticket, swiftly rejected Lagarde’s comments, stressing that the “Argentine people are sovereign” and contending that the IMF deal had only succeeded in “driving up debt, inflation, the number of small and medium-sized enterprises (SMEs) closing, unemployment, and utility tariffs”.

Five days later, on 16 April, Massa enlarged upon his comments, saying that he would renegotiate the “unjust” IMF accord if he were to come to power. Massa said that all of the IMF loans to Argentina were being made in this government, while the costs would weigh down the next government. He said that Argentina needed “a Portuguese, not a Greek, exit” in reference to the €26bn (US\$29.4bn) IMF loan (as part of a €78bn rescue package) extended to Portugal, which its government finished paying back ahead of schedule last December, saving €1.16bn in interest payments.

“We need to find a longer-term mechanism to ensure that Argentina meets its debt obligations,” Massa said, arguing that it was essential to reduce taxes (especially on the agricultural sector) in order to increase exports, ending the country’s age-old habit of “exporting savings and importing debt”. Massa also said that it was imperative to recover monetary policy “currently ceded to the IMF”.

Before any reduction in inflation can be felt by Argentines, the two rival factions of the country’s second largest trade union movement, Central de Trabajadores de la Argentina (CTA), and other trade unions, including the powerful truckers’ union led by Hugo Moyano, are planning to stage a general strike on 30 April to protest against the government’s economic programme. Moyano has criticised the ruling triumvirate of Argentina’s largest trade union, Confederación General del Trabajo (CGT), of which the truckers’ union forms a part, for failing to endorse the strike.

Massa's promise

Sergio Massa blamed the Macri administration for Argentina's economic problems. Massa said it had "never found the right route" through a mixture of "arrogance, ignorance, and underestimating the reality", but fundamentally because of the need for "long-term accords". Massa said that if he were elected, he would seek "broad political, economic, and social accords with the political opposition and trade union movements [to pave the way for] state policies on economic, monetary, employment, environmental, educative, and judicial matters".

ARGENTINA | Offshore oil tender. Argentina's finance ministry revealed on 16 April that it had received bids equivalent to US\$995m from 13 different firms for the country's first ever offshore oil and gas exploration concessions tender. A ministerial statement said that bids were received for 18 of the 38 concession blocs on offer located in the 'Austral', 'Argentina Norte', and 'Malvinas Oeste' fields in Argentina's South Atlantic territorial waters.

The statement highlighted that in addition to oil majors Total, ExxonMobil, and Shell, four other foreign firms that do not currently have any operations in Argentina – Mitsui, BP, ENI, and Tullow Oil – also took part in the tender. While some of the companies, such as ExxonMobil and Shell, have already announced that they have been notified that they have won some concessions, the full results of the tender will not be released until next month, according to the ministerial statement.

BRAZIL | Economic difficulties continue. On 15 April, Brazil's central bank (BCB) released its index of economic activity (IBC-Br) for the month of February, a measure used as a prediction of GDP growth, which shows a contraction in monthly economic activity in Brazil for the second consecutive month. After contracting 0.31% in January, the IBC-Br declined by 0.73% in February. This is the most important contraction since May 2018, when a lorry drivers' strike brought the country to a standstill and caused economic activity to contract by 3.11%. Over the first two months of the year, the accumulated IBC-Br contracted 0.21%.

This is yet another reality-check for the government of President Jair Bolsonaro, which came to office promising to boost the country's anaemic economic revival, but is struggling in the face of negative economic indicators and political deadlock on important reforms.

Brazilian bank Itaú Unibanco, which publishes its own measure of monthly economic growth, now predicts that the Brazilian economy will contract 0.1% in the first quarter. On 12 April, it revised its GDP forecast for 2019 downwards to 1.3%, from 2%. If GDP does contract 0.1% in the first quarter of the year, the economy will then have to grow an average 0.6% in the second, third and fourth quarters to reach the yearly 1.3% prediction according to Fernando Gonçalves, an economist at Itaú consulted by the Brazilian business daily *Valor Econômico*. Gonçalves notes that the negative outlook for Brazil's economic activity, unemployment rate, and exchange rate as measured by Itaú might actually serve to speed up the approval process of necessary economic reforms.

PARAGUAY | Trade balance. Paraguay's exports in the first three months of 2019 totalled US\$3.3bn, 6.1% down on the same period in 2018, the central bank (BCP) revealed last week.

The BCP report shows that imports in the first quarter reached US\$2.84bn, 6.9% less than in the same period in 2018. This left a trade surplus of US\$436m, US\$1.6m less than the trade surplus registered in the first quarter of 2018.

URUGUAY | Unemployment. Uruguay's unemployment rate in February 2019 stood at 8.4%, down from the 9.3% registered in February 2018, according to new figures released by the national statistics institute (INE) on 14 April.

The negative unemployment figure, coupled with other signs that the domestic economy is continuing to suffer from a slowdown this year (the consensus forecast by private local economists is that there will only be 0.8% GDP growth in 2019), has led analysts to warn that job creation this year will also stall and that the unemployment rate will continue to creep up unless some significant economic reforms are adopted. In particular, analysts say that changes must now be introduced to the collective salary negotiation mechanism – in which the government, trade unions, and business are represented – so that these can incorporate productivity agreements that reward workers with higher salaries only if there is an increase in productivity.

López Obrador on the defensive

During his confrontation with Jorge Ramos, President López Obrador lashed out at media outlets critical of his government. In particular, López Obrador accused *Reforma* of being a “conservative” publication that “protected the previous neoliberal governments” and was intent on undermining his administration. In his 15 April morning press conference, López Obrador recalled his confrontation with Ramos and said that journalists should be “more prudent otherwise you know what happens”. These remarks were denounced by local civil society groups as a veiled threat against journalists that criticise him who could become targets of attacks by his supporters on social media, as has happened to Ramos.

López Obrador chastised over persistent violence

“Insecurity and corruption have become the two main battles for the new government and society; however, it seems that the actions taken so far are not enough”. This is the damning verdict of Mexico’s Catholic archdiocese on the efforts by the government led by President Andrés Manuel López Obrador to reduce violence and improve public security. The criticism from the archdiocese comes on top of that from the local media, which continues to point out that, contrary to López Obrador’s assertions, official data shows that violence is still on the rise and Mexico looks set to break yet another record for homicides this year.

Mexico’s Catholic archdiocese addressed the issue of the rampant violence in an editorial published in its weekly publication, *Desde la Fe*, on 14 April. Alluding to the latest official homicide figures, which show that there have been over 8,000 murders recorded in Mexico since the start of the year, the editorial argues that rising levels of violence is a real problem that has to be recognised and addressed by all levels of government as well as by society. It goes on to call on all Mexicans but in particular “our rulers, politicians, and all the authorities that watch out for our security to reflect on the situation in the country and the actions that they have taken”.

While the editorial espouses the view often presented by President López Obrador that the violence is a symptom of problems such as poverty, lack of economic opportunities, corruption, and impunity that date back decades and have never been properly addressed by successive Mexican governments, it nonetheless warns the López Obrador administration against laying the blame exclusively on previous governments: “we cannot shield ourselves by blaming previous administrations because that would be to shirk responsibility for dealing with the problem”. Pointedly, the editorial concludes by saying that “Behind any act of violence there is a story, which the government and society are not adequately addressing”.

López Obrador confronted

The criticisms of the archdiocese might have been mild in their tone, but they were nonetheless very pointed. Just two days earlier, during his 12 April morning press conference, López Obrador stubbornly insisted that the national security plan implemented by his government was succeeding in reducing violence when directly confronted with the official homicide figures by a journalist. Jorge Ramos, who works for US Spanish language TV channel *Univision* but also writes for Mexican daily *Reforma*, took advantage of the opportunity to ask López Obrador in person during the press conference, which was videotaped and reproduced on official media, how he could claim that violence was decreasing while official homicide figures continue to rise.

Ramos noted that data from the national public security system (SESNSP) shows that there have been 8,524 homicides in the first three months of the year, a 14% increase compared with last year. He added that this translated into an average of 90 people killed a day and that, at the current rate, 2019 was on course to become the most violent year in Mexico’s history, overtaking 2018 when according to official figures there were 33,369 homicides. “Thousands of Mexicans are dying every day, we are heading towards the bloodiest year in history, [the government’s national security strategy] is not working,” Ramos said.

López Obrador’s response was to insist that the national security strategy was working and that there has been an improvement in public security

GN command structure

In addition to naming General Rodríguez, who for the past few years has been stationed in Washington DC serving as the president of the Inter-American Defense Board (IADB) of the Organization of American States (OAS), President López Obrador also named two other military officers as members of the GN operative command. These are Army General Xicoténcatl de Azolohua Núñez, who is also in the process of retiring, and the recently retired Rear Admiral Gabriel García. The final member of the GN operative command is federal police commissioner Patricia Rosalinda Trujillo.

“because now we are working everyday like never before to address the problem. They left us a country with a lot of violence and corruption but that is no more... we are controlling the situation”. Pressed by Ramos to provide evidence of this, López Obrador claimed that the murder rate was not increasing but that it has remained stable if not starting to fall. This was disputed by Ramos, who insisted that the SESNSP data provides evidence to the contrary. A visibly unsettled López Obrador then replied: “I have other figures!” and went on to claim that these show that the average number of murders per day has remained stable at around 80 per day.

With Ramos retorting that even the figures cited by López Obrador do not conclusively show that homicides are trending down, López Obrador conceded that the data does not paint a very positive picture. “I’m not saying that we have resolved the issue. What I’m saying is that homicides have fallen from previous levels... that we have reversed the trend,” López Obrador said. He added that his objective was to reduce homicides by 30% during his presidency, as he managed to do during his term as Mexico City mayor (2000-2005). Nevertheless, the general consensus in the Mexican media was that the 12 April press conference was the most uncomfortable for López Obrador yet, as Ramos appeared to have struck a nerve and put him on the back foot (*see page 10 sidebar*).

Since then the Mexican media has reported that the official data shows that since López Obrador assumed office in December 2018 there have actually been 11,728 homicides. This prompted Ramos to take to *Twitter* to claim that despite López Obrador’s assertions, “Nothing has changed. Under López Obrador Mexicans are still being murdered at unprecedented levels”, and to insist that the question remains “what are you [López Obrador] going to do in the short-term to stop the killing of so many Mexicans”. The editorial from the archdiocese drives home the point that, rather than argue over the murder figures and blame past administrations, the López Obrador government would do better to concentrate on coming up with more initiatives aimed at reducing the violence.

GN commander named

Even prior to his confrontation with Ramos, López Obrador had already attracted public criticism after he named army General Luis Rodríguez Bucio on 11 April as his proposed commander of the national guard (GN), the new federal public security force that his government is in the process of establishing. Even though in revealing Rodríguez’s name López Obrador noted that he is in the process of retiring from the army, the appointment of a military officer to lead what is supposed to be a civilian police force has been rejected by the political opposition and human rights organisations. Critics argue that by putting Rodríguez and other military officers at the helm of the GN (*see sidebar*), López Obrador was unilaterally undermining the efforts by congress to ensure that the GN does not become a paramilitary force and remains under civilian control [[WR-19-14](#)].

Tania Reneaum, the executive director of the NGO Amnesty International in Mexico, commented that, through Rodríguez’s appointment, López Obrador was breaking with what was approved by congress “without understanding the importance of democratic checks and balances”. Meanwhile the leftist opposition Partido de la Revolución Democrática (PRD) described López Obrador’s appointments as an affront to the constitution and mooted challenging them before the courts on constitutional grounds. López Obrador has repeatedly said that there will be a marked improvement in public security once the GN becomes operational. After naming the GN command he sent the secondary legislation required for the new force to become operational to the federal senate on 11 April and called for an urgent debate. But the concerns over the military profile of the GN command could lead to a delay in its approval.

Concessions to CNTE

The guidelines included in President López Obrador's memorandum also include clear concessions designed to try to appease the CNTE. In particular, the memorandum stipulates that any teachers who were dismissed for refusing to take part in the evaluation tests introduced under the 2012-2013 reform are to be reinstated pending a future review. It calls for any teachers that have been jailed for taking part in protests against the implementation of the reform to be released, and for compensation to be offered to the relatives of anyone who lost their life while protesting against the reform. Notably, the CNTE welcomed the memorandum as a "palliative measure" for its members as they continue to discuss a new reform that fully respects their rights.

Education reform at a dead end

The efforts by the government led by President Andrés Manuel López Obrador to deliver an education reform that keeps some of the better aspects of the 2012-2013 reform but that is supported by the Coordinadora Nacional de Trabajadores de la Educación (CNTE) teachers' union appears to have reached an impasse. Weeks of negotiations between the CNTE, government officials, and legislators from the ruling leftist Movimiento Regeneración Nacional (Morena), have failed to produce an agreement over a reform initiative. Seemingly unable to overcome the deadlock, López Obrador has threatened to repeal the 2012-2013 reform by decree.

The CNTE stubbornly opposed the implementation of the 2012-2013 reform approved by the previous administration led by Enrique Peña Nieto (2012-2018). The López Obrador administration has drafted a counter reform repealing changes introduced by the 2012-2013 reform opposed by the CNTE but keeping others. While Morena has succeeded in advancing the debate of the new reform in the chamber of deputies, the proposed bill has been rejected by the CNTE, which staged disruptive protest outside congress in a bid to try to stop its passage [WR-19-14]. This prompted López Obrador to call for the suspension of the bill's debate until an agreement could be reached with the CNTE.

Since then representatives from the federal education ministry (SEP), Morena legislators, and the CNTE have been holding meetings. However, after seven meetings, the last of which took place on 11 April, there has been little progress. López Obrador threatened to repeal the 2012-2013 reform by decree. "We will talk with everyone to try to reach an agreement but if it takes too long I will issue a decree repealing the so-called education reform.... I will keep my promise to teachers and cancel the reform let there be no doubt about that," López Obrador said in a clear attempt to pressure Morena legislators into offering concessions to the CNTE.

López Obrador's threat was rejected by education experts, student parent associations, the political opposition, and constitutionalists. Education experts and student parent associations warned that returning to the previous state of affairs would represent a major setback for efforts to improve education provision in Mexico. The political opposition and constitutional experts warned that any attempt to repeal existing legislation via an executive decree would be unconstitutional. Article 49 of the constitution is clear that only the legislature, and not the executive or judiciary, has the power to approve, reject, or repeal legislation. Despite these warnings, on 16 April López Obrador revealed that he had issued a memorandum to various federal ministries establishing guidelines to be followed pending the repeal of the 2012-2013 education reform.

According to López Obrador, the memorandum stipulates that all the changes to the national education system introduced by the 2012-2013 reform are "without effect" and that it provides clear parameters for the federal education ministry (SEP) to continue providing "mandatory, lay, and pluricultural" education. López Obrador insisted that these guidelines would only be in place until an agreement over a new education reform could be reached and allow for the existing education legal framework to be replaced by "a more satisfactory, useful, and functional one". José Ramón Cossío, a former supreme court judge, said that he would challenge the memorandum on constitutional grounds as "it has no legal basis". López Obrador may be trying to pressure all sides to reach a consensus, but it looks like the education reform will continue to be a thorn in his side.

More targets

President-elect Bukele has targeted the country's two traditional parties, FMLN and Arena, in recent twitter posts. A former member of the FMLN before he was ejected for throwing an apple at a councillor, Bukele tweeted on 29 March that "An apple cost the FMLN the presidency, the government, 20 mayor's offices, deputies, more than 1m votes and its existence as a relevant political party". Three days earlier he accused the two main parties of having a pact which "crosses ideological lines, historic disagreements, and 100,000 human lives because it is founded on the protection of the crooked". He added that "together they will still control two branches of the government, even after 1 June. Their followers ought to begin to change their anthems."

Bukele casts doubt on future of neighbourly ties

Ahead of taking office on 1 June El Salvador's President-elect Nayib Bukele has already upset the presidents of Nicaragua and Honduras, Daniel Ortega and Juan Orlando Hernández, respectively. Via his favourite medium *Twitter*, Bukele accused them of being "dictators" and has refused to allow them to attend his inauguration ceremony. As well as marking a departure from outgoing President Salvador Sánchez Cerén of the ruling Frente Farabundo Martí para la Liberación Nacional (FMLN), Bukele's actions (which, with regard to Ortega, are likely to endear him to the US) raise more general questions about the future of Central American integration when he takes office.

In a tweet posted on 5 April, Bukele questions "what is the difference between Hernández and Ortega? One says they are of the Right, the other of the Left. But the reality is that both are in power by force, at the cost of many deaths and without democratic legitimacy. The battle of our brothers is also that of our own". This is not the first time [WR-19-05] that Bukele, who won the February 2019 presidential election outright, has made such references to his neighbours, who face political crises in their countries. In Nicaragua, a government crackdown on opponents has left over 500 dead since April 2018, while in Honduras, protests continue over President Hernández's controversial re-election in 2017. Five days after his tweet, Bukele went further and announced that Ortega, Hernández and Venezuela's Nicolás Maduro, who is similarly facing a legitimacy crisis after Juan Guaidó declared himself interim president earlier this year, would not be invited to his inauguration ceremony.

Bukele's tweets were sparked by a spat which began on 3 April when the minister of the Honduran presidency, Ebal Díaz, expressed concern about claims that Bukele had links with gang members. He tweeted a link to El Salvador's online investigative publication *El Faro* which discusses accusations of Bukele's dealings with the gangs during his stint as mayor of San Salvador (2015-2018) [SSR-18-08]. Díaz also tagged Bukele in a twitter post asking whether his treatment of the gangs as President would be the same as it was as mayor. He then cast further aspersions on Bukele's commitment to tackling crime, highlighting the "importance" of the commitment of all of the region's leaders to attacking criminal gangs after noting that "in Honduras, gang members from El Salvador are regularly arrested".

In response to Díaz, as well as accusing Hernández of being a dictator, Bukele went on to describe his government as a "narco-dictatorship", tweeting "It seems as though Honduras' narco-dictator is afraid of his diminishing support in the US. Fair enough. Having a brother imprisoned for narcotrafficking is not going to help with his future political aims." This is a reference to Hernández's brother, Juan Antonio, a former deputy (2013-2017) for the ruling Partido Nacional (PN) who was charged on 25 November in the US with drug trafficking, among other offences.

Díaz has since sought to downplay Bukele's remarks, dismissing them as part of a strategy to discredit Honduras in order to attract investment towards El Salvador. Yet the current stand-off raises questions about the future of cooperation between these countries at a time when efforts to strengthen neighbourly ties are under way (*see box*).

Gulf of Fonseca

When the proposal regarding the Gulf of Fonseca was announced back in 2014, the leaders of Nicaragua, Honduras and El Salvador revealed that it also involves improving transport links – namely plans for a ferry from El Salvador’s La Unión port to Nicaragua’s Corinto port, and a ferry or shuttle to run from La Unión to Nicaragua’s Potosí port, as well as the Honduran ports of Amapala and San Lorenzo. It also seeks to convert the area into a free trade zone, allowing for easier movement of goods.

As well as targeting his future neighbours, Bukele also took to *Twitter* to challenge his political peers from the two main parties – the FMLN (with which he broke in November 2017) and the right-wing opposition Alianza Republicana Nacionalista (Arena), both of which will control the 84-member unicameral legislature when he takes office. As well as some general digs at the two parties (*see sidebar*), this dispute with his peers has centred on Bukele’s declared desire to move the place of his inauguration from the customary room in the legislature (which is closed to the public) to the outdoor Gerardo Barrios square in the historic centre of the capital, San Salvador, which the public can attend – a move which is in line with Bukele’s populist credentials. His inauguration has also been the subject of a spat with national legislator Norman Quijano (Arena) who, as president of the legislature, is tasked with organising the handover of power. Quijano, who has previously indicated his concerns about Bukele, has complained about the lack of information provided by the president-elect to plan the inauguration.

Strengthening ties

Days after the spat between President-elect Bukele and the Honduran presidency, on 11 April Presidents Sánchez Cerén, Hernández, and Ortega respectively launched the master plan for the Gulf of Fonseca, a Pacific coast area jointly administered by the three countries which has been hailed as a step forward for regional integration efforts.

Back in 2014, the three leaders first declared their interest in coming up with the master plan which seeks to promote sustainable development and economic integration in the sub-region, creating jobs, and easing the movement of goods and people across borders.

The agreement announced on 11 April instructs a trinational commission to be in permanent coordination with the relevant state institutions, private sector, and local government, to guarantee the enactment of the master plan.

As well as the Gulf of Fonseca initiative, there have been other signs of closer regional cooperation, such as the launch of a customs union between Honduras and Guatemala in June 2017 – to which El Salvador’s membership is due to be formalised this year.

BELIZE-GUATEMALA | DIPLOMACY

ICJ referendum postponed in Belize

“We already did our part of the work. We want to urge the brother country of Belize to do the same”. This was the response by Guatemala’s President Jimmy Morales to a ruling by a Belizean judge which suspended a national referendum due to take place in Belize on 10 April on whether to agree to the territorial dispute between Guatemala and Belize being submitted to the International Court of Justice (ICJ) for adjudication.

While Guatemala recognised Belize’s independence in 1991, it did not accept the borders and the ongoing dispute stems from its claim to over 11,000 kilometres of Belizean territory, including several islands (approximately half of Belize’s current territory). In a national referendum held in April 2018, Guatemala had voted in favour of referring its territorial claim over Belize to the ICJ. Under the terms of a 2008 agreement, Belize is committed to holding a similar referendum, and if its electorate reaches the same conclusion as the Guatemalan voters then the case will go to the ICJ.

Just a week before the referendum was due to take place in Belize, where the United Democratic Party (UDP) government led by Prime Minister Dean Barrow has been lobbying for the ‘Yes’ vote, the judge accepted an appeal by the opposition People’s United Party (PUP) which questioned the legality of the procedure under which the government launched the referendum. Yet Barrow is adamant that the referendum will take place at a later date, telling reporters that “I am in no doubt that we will be having a referendum on going to the ICJ no later than six to eight weeks from the originally scheduled date.”

Education

In the first presidential debate which took place on 20 February, candidates agreed on the need to improve access to quality education, a key pillar of social inclusion and a crucial link for labour inclusion and increased productivity. This remains a priority for Panama which, despite enjoying among the highest economic growth rates in the region, is the second-most unequal country in Central America after Guatemala, as measured by the Gini coefficient (a technical measure of inequality, where 0 represents perfect equality and 1 perfect inequality). According to the most recent Social Panorama report by the Economic Commission for Latin America & Caribbean (Eclac), released this month, Panama's Gini coefficient was 0.508.

PRD scents victory

With less than three weeks until the general election on 5 May, the opposition Partido Revolucionario Democrático (PRD), Panama's largest party, is gearing up for a return to the presidency after a decade. The latest opinion polls show its candidate, former agriculture minister (2004-2006) Laurentino Cortizo continuing as frontrunner, having successfully capitalised on the unpopularity of the Partido Panameñista (PPA) government led by President Juan Carlos Varela which has been damaged by corruption allegations as well as concerns about the economy.

The most recent poll by the Spanish institute GAD3, published on 2 April by the leading daily *La Prensa*, showed Cortizo on 27.9% of voting intentions, followed by Rómulo Roux, a former foreign minister (2012-2014) on 16.9%. Roux is running for the other main opposition party Cambio Democrático (CD) which remains tainted by the reputation of its founder, former president Ricardo Martinelli (2009-2014), who has faced multiple charges of corruption. Third, on 15.3%, is Ricardo Lombana, a lawyer, media consultant and former general consul to the Panamanian embassy in the US (2004-2007), who is running as an independent. The rise of Lombana, a 45-year-old candidate who has spun himself as an alternative to the discredited political establishment, with a strong anti-corruption message, has been notable. He has now overtaken the PPA's candidate, Panama City mayor José Isabel Blandón Figueroa, who is in fourth place. The other three candidates, unionist Saúl Méndez of the Frente Amplio por la Democracia (FAD), and two independents, Ana Matilde Gómez and Marco Ameglio, make up the remainder.

Interestingly, according to a GAD3 survey published by *La Prensa* the following day, voters are now more concerned about the economy and related issues than corruption. When asked which problems the respondents consider have the most impact on their lives, 27.1% cited unemployment and 24.4% cited inflation as their key concerns while just 9.6% mentioned corruption. A January 2019 report by the Economic Commission for Latin America & the Caribbean (Eclac) forecast that Panama's economy grew by 4.8% in 2018, down from 5.4% the previous year. This slowdown stemmed in part from a prolonged construction workers' strike, although growth is expected to recover this year due to a major mine beginning operations (*see box*). According to the same Eclac report, the year-on-year rise in the consumer price index (CPI) to October 2018 remained low, at 0.8%. The unemployment rate was 5.8% as of March 2018, compared with 5.6% in the same month in 2017, while the open unemployment rate held steady at 4.6%.

Manifesto

At the end of last month, Cortizo unveiled his manifesto which divides his policies into "four pillars and one star". While the 'star' is education – an issue which all candidates have previously acknowledged is a priority (*see sidebar*), the four 'pillars' are: 1) to have a good honest government; 2) to have a lawful state free of corruption; 3) to create a competitive economy that provides job opportunities; and, 4) to combat poverty and inequality. As regards the key voter concern – unemployment – Cortizo is promising to generate between 240,000 and 275,000 new jobs over the next five years, of which 25% would be aimed at those under the age of 30. He expects to do this through promoting public works that will create jobs in sectors such as construction and public infrastructure maintenance among other things. He is also promising to invest in sectors such as industry, agriculture, science & technology, and the creative and cultural industries.

Martinelli back in the running?

The legal cases surrounding former president Ricardo Martinelli (2009-2014), who was extradited from the US in June 2018 to face charges related to his activities whilst in office, have yet to prevent him from running in the Panama City mayoral race. An opinion poll published on 3 April, also by GAD3, showed him in a technical tie (within the 4.6% error margin) with the PRD's candidate José Luis Fábrega on 25.3%-23.7% of voting intentions.

Given Cortizo's background in business and farming, agriculture (which generates 2% of GDP and 14.5% of employment) and livestock receive special attention in his platform. He is proposing to construct a 20-year state policy for the sector and establish by decree a permanent agriculture cabinet tasked with coordinating all institutions relevant to the sector which will be directed by the President. He is also proposing to create a deputy ministry of production and agrotechnology in the agriculture ministry and eliminate Aupsa, the country's food safety authority. Cortizo had played a role in 2006 in creating Aupsa, which is responsible for issuing science-based sanitary and phytosanitary (SPS) import policies for agricultural and food products entering Panama so that local farmers would not be put out of business. However, it has since been reformed and local farmers have been complaining that it acts against their interests. More generally Cortizo takes a protectionist line, saying his government will boost production, incorporate technology, and stop imports during harvest season.

Cobre Panamá

One pledge announced in Laurentino Cortizo's manifesto is to strengthen legislation surrounding mining, a sector which he expects to contribute 6% of GDP over "the next few years". Linked to the development of this sector, the trade & industry minister, Eduardo Palacios, presented a bill at the start of the month before congress which would ratify the contract between the state and Minera Panamá, the local subsidiary of Canada's First Quantum Minerals Ltd, regarding the development and operation of the Cobre Panamá copper mining project which is located in Donoso district, Colón province.

With an investment of over US\$6bn, Cobre Panamá is the largest foreign investment project in Panama's history and is the second most important infrastructure project after the Canal and its expansion. The proposed law, which at the time of writing had yet to be approved, seeks to guarantee legal security for the project after a supreme court (CSJ) ruling issued in September 2018 sparked uncertainty over its future. The CSJ had ruled against a contract signed in February 1997 (Ley 9) by the state with mining company Minera Petaquilla, (at the time owned by Canada's Petaquilla Minerals) for the extraction of gold and copper in Donoso.

The appeal had been filed by a local environmental NGO, Centro de Incidencia Ambiental (Ciam), which argued that the contract was in breach of various articles of Panama's constitution related to human rights and the environment. However, First Quantum Minerals (which now owns the copper mine in question, Cobre Panamá, after the gold mine was shut down in 2014) and the Panamanian government maintained that the ruling "only affects the enactment of Ley 9, and does not affect the mining concession contract itself, which remains in effect, and therefore allows continuity of development of the Cobre Panamá project".

TRACKING TRENDS

EL SALVADOR | FDI up. Foreign direct investment (FDI) to El Salvador reached US\$1.85bn in 2018, up 5.4% on 2017, El Salvador's central bank (BCR) reported. According to the BCR, the main recipients of the FDI were industrial activity (49.2%), followed by retail (11.7%), and the financial sector (10.6%). As regards sources of FDI, the US accounted for 39.9% of the total, followed by Panama (21.8%).

COSTA RICA | Fiscal deficit. Costa Rica's finance ministry has released new figures which show that the fiscal deficit for the first quarter of 2019 was 1.51% of GDP, slightly down from the 1.52% registered in the same quarter of 2018. Back in December 2018 the government led by President Carlos Alvarado pushed through a fiscal reform which, among other things, replaces the current 13% sales tax with a 13% value-added tax (VAT) and increases the number of products and services to be taxed. The reform is due to come into force on 1 July 2019. According to Costa Rica's finance ministry, the country's fiscal deficit closed at 6% of GDP in 2018, down from the 7.2% forecast.

Quotes of the week

“History has something to show us...the generation of our parents and grandparents confronted, with less experience and even fewer resources, darker and more serious times and emerged victorious.”
Cuba's President Miguel Díaz-Canel.

“Ecuador's patience has its limits: we are tolerant, we are easy-going, but we are not stupid.”
Ecuador's President Lenín Moreno upon revoking the diplomatic asylum of Julian Assange.

“The aim is to isolate [Venezuela's] regime completely and deny it any breathing space at all. It will not be able to hold out for long and will have to fall.”
Paraguay's foreign minister Luis Alberto Castiglioni.

Trying to avoid another truckers' strike in Brazil

The Brazilian government announced a package of measures on 16 April aimed at responding to the demands of the country's lorry drivers. These come as the cancellation of a planned hike in the price of diesel was seen as responding to fears of a lorry drivers' strike, while it also raised concerns as to the autonomy of the state-owned oil company Petrobras.

Last week, Petrobras had announced a 5.7% increase in the price of diesel due to come into effect on 12 April. President Jair Bolsonaro reportedly contacted Petrobras CEO Roberto Castello Branco personally to veto the price hike. This led Petrobras's preferred shares to fall 7.75% on the São Paulo stock exchange (Bovespa) on 12 April, representing a R\$32.4bn (US\$8.35bn) loss in market value for the company. Both Bolsonaro and Castello Branco denied state interventionism, insisting that Petrobras remains entirely autonomous. Castello Branco said that the decision to cancel the price increase came from within the company, and that Bolsonaro had merely raised “legitimate” concerns.

To further assuage concerns that the government may be looking to intervene in diesel prices, Bolsonaro met cabinet ministers and Castello Branco on 16 April to discuss Petrobras's pricing policy. “I do not want to, and I cannot intervene in Petrobras,” Bolsonaro said following the meeting. The mines & energy minister, Bento Albuquerque, said the confusion over the cancellation of the price hike was due to a “communication error,” while the economy minister, Paulo Guedes, said Bolsonaro had naturally been preoccupied by the demands of the population. As the economy continues to struggle, Bolsonaro will be eager to avoid a repeat of the 11-day lorry drivers' strike that paralysed the country last May.

The measures that the government announced for the transportation sector include the creation of a R\$500m (US\$128m) credit line by the national development bank (Bndes) for self-employed lorry drivers; the stimulation of cooperatives to the benefit of self-employed drivers; measures to ensure that the minimum price for road transport is respected; a R\$2bn (US\$513m) investment in the completion of unfinished roadworks and the upkeep of roads; the obligatory construction of rest areas along highways; the extension of the validity of the national driving licence from five to 10 years; a trucker's card allowing lorry drivers to buy fuel in advance at a fixed price (this measure had been announced previously by Petrobras); and the creation of a dedicated health programme to provide free medical assistance to truckers in specific cities.

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