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Reports show surge in Colombian coca and cocaine production

While Colombia is advancing towards implementation of a peace accord with the Fuerzas Armadas Revolucionarias de Colombia (Farc), one by-product of the protracted process has been an explosive increase in coca cultivation and cocaine production. The peace process was not the sole factor behind this but it coincides precisely with the sharp increase registered since 2014 and highlighted in two separate reports released by the US government and the United Nations International Narcotics Control Board (INCB) this week. The leader of the main right-wing opposition Centro Democrático (CD), former president (2002-2010) and incumbent senator Alvaro Uribe, has long accused the government led by President Juan Manuel Santos of subordinating drug policy to the pursuit of a peace accord. With this finally approved, the Santos administration is under pressure to refocus on combating illicit drugs production.

In its annual International Narcotics Control Strategy Report (INCSR), sent to the US congress on 4 March, the US State Department maintained that coca cultivation in Colombia in 2015 had increased by as much as 42% on the previous year from 112,000 hectares (ha) to 159,000 ha, a nearly 100% increase since 2013. Cocaine production was up by 60% over the same period. The findings of an INCB report published two days earlier, were consistent with the INCSR in terms of the scale of the increase if not the estimated area of coca under cultivation. The INCB found that Colombian coca cultivation increased by 39% from 69,000 ha in 2014 to 96,000 ha in 2015, twice the area under cultivation in 2013.

The INCSR reported that the most significant increase in coca cultivation over the period in question was in the south-western departments of Cauca, up by 116% to 27,000 ha, and Putumayo, up by 76% to 22,000 ha, and in the north-eastern department of Norte de Santander, up by 85% to 30,500 ha. Norte de Santander supplanted Nariño (26,000 ha), which like Putumayo borders Ecuador, as the country's main coca-producing department. This all led to an increase in potential pure cocaine production in 2015 of 60% to 495 tonnes (t) from 310 t in 2014, according to the INCSR. Although 2015 is the most recent year for which data is available, the INCSR report revealed that preliminary data for 2016 indicated another "dramatic increase in cultivation and cocaine production".

The INCSR attributed the increase in coca cultivation to several factors: widespread reports that the Farc "urged coca growers to plant more coca, purportedly motivated by the belief that the Colombian government's post-peace accord investment and subsidies will focus on regions with the greatest quantities of coca"; fewer eradication operations in Farc-controlled areas "to lower the risk of armed conflict as the parties negotiated a final

Corruption

Colombian prosecutors investigating official corruption linked to Odebrecht have accumulated sufficient evidence to confirm that Brazil's disgraced construction and engineering firm provided campaign financing for both President Santos and the main opposition candidate, Óscar Iván Zuluaga, in the 2014 general elections, according to Colombia's attorney general Néstor Humberto Martínez. Senior Farc leaders denounced the Odebrecht corruption this week in a series of tweets, before an article appeared in the Brazilian weekly *Veja* on 5 March in which two senior Odebrecht executives claimed that the firm had been paying out protection money to the Farc for 20 years in order to carry out infrastructure work "without problems". Former president Uribe claimed that "foreign financing of terrorism" was not restricted to Odebrecht.

peace accord"; coca growers evading eradication by planting in national parks and indigenous areas, and making it difficult to access fields of crops; and a two-thirds reduction in the manual eradication budget since 2008.

The INCB authors concurred. They argued that the expectations surrounding the peace accord with the Farc "may have contributed to raising farmers' hopes about the benefits of prospective alternative development programmes and acted as motivators for further illicit cultivation". They added that the surge in coca bush cultivation could also be attributed to "the cessation of eradication by spraying of glyphosate by the authorities in 2015".

In a column penned for the national daily *El Tiempo* this week, the defence minister, Luis Carlos Villegas, expressed concern about the findings of the two reports but no surprise. Villegas acknowledged that coca cultivation had increased in response to "false expectations created by the Farc and the end of glyphosate spraying", but he also attributed it to "the devaluation of the Colombian peso, which resulted in a profit increase for the local drug chain". Villegas added that "it seems that the sacrifice in life...and public resources we have had to endure in this war on [drug] supply is not being reciprocated enough in terms of results and energy by a war on demand, especially in the US".

Villegas might have been responding to an editorial in the *Washington Post* on 4 March which argued that surging cocaine consumption in the US appeared to be "a case of supply driving demand [that...] can be traced directly to Colombia's bumper harvest". It based this claim on laboratory analysis carried out by the Drug Enforcement Administration (DEA) in 2015, and cited in the INCSR report, showing that 90% of seized cocaine samples were apparently Colombian in origin.

Villegas contended that the Colombian government had launched a new counter-narcotics strategy in September 2015 focused less on forced coca eradication than drug interdiction, alternative crop cultivation, and social investment. He claimed that this strategy had produced successes which "might be even more important than a triumph against illicit cultivation". Villegas said the confiscation in 2016 of almost 380 t of cocaine in Colombia signified an increase of 125 t, or 49%, on 2015. He said the trend had continued so far in 2017 with cocaine seizures up 25% year-on-year to 45 t. He added that 4,900 drug processing laboratories were destroyed in 2016, up 24% on 2015. "We await similar results against the chain of [cocaine] consumption," he concluded defensively.

Villegas was keen to stress that Colombia and the US enjoyed "an alliance that goes beyond the fight against drugs". The INCSR report was careful not to be overtly critical of the Colombian government, which it praised as a valued partner. During a visit to Colombia this week, the US Assistant Secretary for International Narcotics and Law Enforcement Affairs, William Brownfield, reiterated this message. While he refrained, at least in public, from advocating a resumption of glyphosate-spraying, which was halted after the World Health Organization (WHO) claimed that it was "probably carcinogenic for humans", in private Brownfield is thought to have applied pressure to expedite the demobilisation of the Farc so that security forces can focus on ramping up eradication and interdiction.

The local media reported that Villegas sought to reassure Brownfield that rural development, crop substitution and state presence in former Farc-controlled territories where coca cultivation has ballooned, would shortly see this figure come down as fast as it has been going up. In the meantime, it might need to brace for more bad news: the weekly magazine *Semana* predicted this week that the US Central Intelligence Agency (CIA) would announce a figure in excess of 180,000 ha of coca under cultivation in Colombia within "a few days".

Toledo – braving it out

Former president Alejandro Toledo (2001-2006), against whom there is an Interpol Red Notice outstanding, was photographed in Stanford, California, this week, with the images widely published by Peruvian media. He was last photographed, on Valentine's Day, in the San Francisco area, so there appears little doubt as to his location. Toledo is a legal US resident. Peru is requesting his extradition to respond to charges that he received US\$20m in bribes from Odebrecht in return for a concession for the Inter-Oceanic highway linking Peru and Brazil. Toledo denies the charges and alleges a political conspiracy against him. US authorities are examining the petition.

ANDEAN COUNTRIES

PERU | POLITICS & ECONOMY

Kuczynski home to face the music

After five days of being feted in the US, the flute-playing President Pedro Pablo Kuczynski arrived back in Peru to some sour notes, as prosecutors announced an investigation into possible illicit donations to his 2016 election campaign. Meanwhile, the tenure of Kuczynski's vice president and transport minister, Martín Vizcarra, looks increasingly in doubt.

Katherine Ampuero, the ad hoc prosecutor in charge of investigating the bribery scandal surrounding the Brazilian construction and engineering firm Odebrecht in Peru, has asked the country's attorney general to launch a criminal investigation into Vizcarra, and a preliminary investigation into President Kuczynski. The investigation into Kuczynski comes after Ampuero said she had found a series of suspicious financial transfers made by Odebrecht to Peruvian bank accounts, "among which is one belonging to President Pedro Pablo Kuczynski Godard", according to a leaked statement published by the local daily *El Comercio*. Ampuero subsequently told the media that she had found evidence that Odebrecht's local subsidiary, Odebrecht Latinvest Perú, had made some suspicious payments to the Latin America Enterprise Fund (LAEF), a Miami-based private equity fund linked to Kuczynski.

The investigation into Vizcarra is based on alleged evidence – purportedly uncovered by special anti-corruption prosecutor Amado Enco – suggesting that Vizcarra has links to executives of the local consortium Kuntur Wasi, which has the concession to build the new 'Chincheró' airport to serve the city of Cusco. That concession, awarded in 2014 by the then-government of Ollanta Humala (2011-2016), has always been controversial, and has become all the more so now, after the Kuczynski government amended the original contract to allow the state to put up the money required to get the long-awaited scheme off the ground, amid financing difficulties in Kuntur Wasi. As transport minister, Vizcarra oversaw that contract addendum. The opposition in congress, including the dominant Fuerza Popular (FP, Fujimoristas), has challenged the legality of that addendum, holding up the works again.

But Vizcarra is now also being accused of corruption in relation to Kuntur Wasi, amid allegations that it made donations to the Kuczynski election campaign last year. Kuczynski has dismissed a widely-circulated photo of Kuntur Wasi executives at one of his campaign rallies as pure coincidence, and this week blasted the ad-hoc prosecutor for putting two and two together on the basis of that photograph (which has been circulating for weeks) and getting six. He said that anti-corruption prosecutors should be relying on hard evidence to do their work, and not media speculation and innuendo. He insisted that he was calm, because he knew he had done nothing wrong and had never received illicit campaign funds from anyone, neither Odebrecht nor Kuntur Wasi. He also again defended Vizcarra's role in the Chincheró contract addendum.

Prime Minister Fernando Zavala also criticised Ampuero's actions and defended Vizcarra and Kuczynski. In a radio interview, Zavala said that the accusations were based on "tendentious" reports and appeared to have been designed to "affect the president's image". "I have not seen any supporting evidence and their timing is odd," Zavala stated in allusion to Vizcarra's impending appearance before congress to testify about the Chincheró addendum. "It is odd to attack the president and vice-president at the same time, but they will not distract us from the fight against corruption," Zavala said.

'White coup'

At a ceremony on 5 March to mark four years since the death of the former Venezuelan president Hugo Chávez (1999-2013), his successor Nicolás Maduro repeated warnings of a 'white coup' in the region, alleging efforts by the traditional conservative elite to recover power after almost two decades of 'People Power' under left-wing governments in Venezuela, Brazil, Argentina, Bolivia, Ecuador and elsewhere.

Zavala added that he had asked the justice minister, Marisol Pérez Tello, to examine Ampuero's accusation, so as to determine its merits, and to take "corrective measures" if necessary. "We cannot have prosecutors making accusations based on press reports, we need to be more serious", Zavala said. His criticisms were backed by Walter Albán, the director of Proética, the local chapter of the NGO Transparency International. "I think that the prosecutors will have to better explain to the country why they have taken this decision," Albán said. "At the moment, we are a bit confused about the basis and reasons for the decision. We are not questioning whether prosecutors can take such actions, but it is important to clear the basis for them, as all we know now is what has been reported by the media".

Former president Alan García (1985-1990, 2006-2011) has also been placed under formal investigation by Ampuero. García was in office when Odebrecht was given the contract to build 'Line 1' of the Lima metro. García, whose second term was marred by a string of corruption scandals, is unpopular in Peru. The most commonly-heard complaint about him is that he (allegedly) has the judiciary 'in his pocket' and so has long been able to avoid the law. It is worth noting, indeed, that much of the 'noise' emanating from congress against Vizcarra and Kuczynski has come from García's Partido Aprista Peruano (PAP), currently (and ever-opportunistically) allied with FP.

While it may be the case that some in FP are determined to make life as difficult as possible for the minority Kuczynski executive, even to the point of forcing the collapse of the government and early elections, it may also be in García's interest to try to keep the heat of the Odebrecht scandal on anyone but himself. While the Odebrecht investigation in Peru is not (as yet) formally examining the Fujimorista era (1990-2000), FP is not exactly sitting pretty either. Party leader and 2016 presidential candidate Keiko Fujimori has been dragged into a campaign financing investigation linked to the party's former secretary general, while her two brothers are also under scrutiny on separate corruption allegations.

Elsewhere, Magistrate Javier Villa Stein, the president of the supreme court's penal chamber (and locally considered a 'friend' of FP), resigned his post in unusual circumstances, ahead of a shortly-pending decision by the Consejo Nacional de la Magistratura (CNM), which has been examining a ruling by the penal chamber in a polemical case involving the treatment of minors (a child labour/sexual slavery case in a remote mining town). Officially, Villa Stein stepped down for 'personal reasons'. Nonetheless, the timing aroused some comment. Some local reports suggested he had in fact stepped down to seek a seat on the constitutional court instead.

Kuczynski and Maduro go to the dogs

As we noted last week, President Kuczynski had harsh words for Venezuela while in the US, referring to it as "a huge problem". By contrast, he said, for the US Latin America is not a problematic region. "It's like a nice dog that's sleeping on the carpet there, not causing any problems," he declared in an address at his alma mater, Princeton University. He also said he had told Venezuela's foreign minister, Delcy Rodríguez, that the Caracas government was "unsustainable" and "has to go".

The outspoken Rodríguez was never going to take that lying down. She retorted that Kuczynski was nothing more than a US poodle. "He goes around, the poor thing – with my respect because he is an elderly man – like a good dog, who wags its tail at the empire and asks for an intervention. He's all alone, going around like a crazy man, with no one paying attention," she declared. And accusing him of insulting the memory of Venezuela's late president Hugo Chávez (1999-2013) at a recent regional summit, Rodríguez declared, "Mr Kuczynski, you are a coward". Peru's foreign minister Ricardo Luna expressed his outrage at such "insolence". He sent a formal letter of protest to Caracas and recalled Peru's ambassador.

Lasso's plan to deal with hostile congress

Lasso and Moreno on reform

Guillermo Lasso promised in-depth reforms to “leave behind this sad history of dictatorship by one political party in Ecuador which is taking us towards becoming Venezuela...a controlling State is like a Gordian knot and a Gordian knot is cut with one swipe”. For his part, the AP presidential candidate, Lenín Moreno, also promised to reform some of the less popular aspects of the Citizens’ Revolution, such as the communications law, but not to start from scratch.

If Guillermo Lasso wins the second round of presidential elections on 2 April his governance will be seriously complicated. The ruling left-wing Alianza País (AP) backing his rival Lenín Moreno will have a majority in the national assembly. Lasso’s centre-right Movimiento Creo almost tripled its legislative presence, finishing with 32 seats compared with just 11 in 2013, according to the final results released by the national electoral council (CNE) last week. AP lost 26 seats, and with them its two-thirds majority to carry out constitutional reform. Despite this the party still won 74 of the 137 seats and retains its absolute majority by five seats.

Lasso should be able to forge a bloc of 50 seats in the national assembly without too much difficulty. In addition to Creo’s 32 seats, Sociedad Unidad Más Acción (Suma), the party of the mayor of Quito, Mauricio Rodas, which backed Lasso, doubled its representation to finish with two seats, while Luis Pachala, who won a seat in the province of Bolívar for a local party, supported Lasso’s campaign. To these 35 solid seats can be added the 15 seats obtained by the traditional Partido Social Cristiano (PSC), whose presidential candidate Cynthia Viteri finished third in the first round of elections on 19 February, up from just six four years ago. The PSC insists it will not form part of a Lasso government but it will support his second round bid and could be relied upon to back any of his policy initiatives rolling back President Rafael Correa’s Citizens’ Revolution.

This would still leave Lasso 24 seats shy of the AP in the new-look national assembly. The radical left-wing Movimiento de Unidad Plurinacional Pachakutik and Izquierda Democrática won four seats apiece. While irrevocably opposed to the Correa administration, which should lead them to provide at least lukewarm support for Lasso ahead of the run-off, they are not natural allies in the long-term. They would back Lasso if he took an axe to the Citizens’ Revolution but would oppose his administration’s ‘neo-liberal’ policy proposals.

Of the remaining eight legislative seats, two went to Partido Sociedad Patriótica (PSP), the party of former president Lucio Gutiérrez (2003-2005) who narrowly missed out on a seat himself to the AP; one went to Fuerza Ecuador, the party of presidential candidate Abdalá ‘Dalo’ Bucaram, the son of former president Abdalá Bucaram (1996-1997); and three to local political movements. Even assuming Lasso could marshal support here it would be on an ad hoc basis.

This explains why, on 6 March, Lasso said that if he wins he would “seriously consider convening a constituent assembly... to dismantle the structure of [the Citizens’ Revolution]. As president, Lasso would be entitled to solicit a constituent assembly, the convening of which would need to be approved in a popular referendum. This might look like a way to get around an opposition-controlled legislature, but unlike Correa in 2007 Lasso is highly unlikely to win the majority of delegates needed to draft a constitution more to his liking.

There would be one remaining option open to Lasso: to court AP deputies. This is not as outlandish as it sounds. Of the 74 seats obtained by AP in the legislative elections, only 50 were secured by the party on its own; the other 24 were won through alliances with small parties, such as Acción Regional por la Equidad (ARE), Frente de Lucha (FL), Movimiento Autonómico Regional (MAR), Movimiento Unidad Primero (MUP), and even Pachakutik in Chimborazo.

In total AP won in alliances in eight provinces – Loja, El Oro, Orellana, Santa Elena, Manabí, Azuay, Bolívar, Imbabura and Chimborazo – through its Frente Unidos coalition. This was forged in 2014 in the wake of AP’s disappointing results in the municipal elections that year. Correa blamed the

Tax havens

It was not quite the convincing result which President Correa had anticipated but a majority of 55.1% of the electorate voted in favour of barring all public servants with assets in offshore tax havens from holding public office. The result of the referendum on the matter, held concurrently with the general elections on 19 February, was published by the national electoral council (CNE) last week.

sectarianism of AP for the municipal defeats and it worked hard to deepen its roots. But AP has never existed in opposition so its coherence without the trappings of power has never been put to the test. The loyalty of deputies elected for AP through alliances with smaller parties would be even less assured in opposition, as these were based not just on ideology but on power.

Lasso is not oblivious to the potential of seeking support within the enemy camp. He maintains that many AP deputies were disenchanted with the selection of Jorge Glas as the party's vice-presidential candidate because they hold him to be "politically responsible for corruption in correísmo" [WR-17-06]. Lasso claims that 20-30 AP deputies might be prepared to work in a "great coalition to strengthen democracy and freedom in Ecuador". This is exactly what President Pedro Pablo Kuczynski sought to do in Peru in the face of the majority control of congress by the opposition Fuerza Popular (FP, Fujimorista) after he came to power last July. Kuczynski was slammed by FP for encouraging defections. Despite some internal differences, FP has stayed a united bloc and turned the screw on Kuczynski, but AP is a different beast and its legislative bloc will include some distinct factions.

Ecuador's current and future congress		
Party	Seats	
	2017	2013
Alianza País	74	100
Movimiento Creo	32	11
Partido Social Cristiano	15	6
Movimiento de Unidad Plurinacional Pachakutik	4	5
Izquierda Democrática	4	-
Partido Sociedad Patriótica	2	5
Sociedad Unidad Más Acción	2	1
Fuerza Ecuador	1	-
Local political movements and others	3	9
Total	137	137

VENEZUELA | ECONOMY

Assembly releases its new inflation index

Venezuela's opposition-controlled national assembly (AN) has reported that accumulated year-to-date inflation was 42.5%, based on a new index created by the finance commission. The AN's figures, if correct, would be the among the highest ever registered for January and February since Venezuela began recording inflation in 1945.

The new index, called the Índice Nacional de Precios al Consumidor (INPC), has been drawn up under the supervision of the opposition deputy José Guerra, a respected economist and currently head of the AN's finance and economic development commission. Guerra, a professor at the Universidad Central de Venezuela (UCV), previously worked at the central bank of Venezuela (BCV), as the head of economic research. His credentials, by general consensus, are impeccable. A deputy of the moderate opposition party, Primero Justicia (PJ), he has been the top economic policy adviser to the PJ's leader and twice former presidential candidate, Henrique Capriles Radonski.

On 8 March, Guerra reported that the INPC was 16.7% in January and 20.1% in February. His forecast for full year accumulated inflation is 741%. That roughly suggests average monthly inflation of 62%. Hyperinflation is typically defined as two months or more of monthly price increases in excess of 50%. As such, fears that Venezuela is suffering hyperinflation (first estimated by the US-based Troubled Currencies Project in November 2016), appear valid.

Containing inflation

José Guerra has strenuously argued that salaries should be linked to “an economic policy that seeks to contain inflation”, noting that, “it’s of no use increasing salaries when consumer purchasing power is eaten away by inflation”. He has also repeatedly called for a policy to restrict money supply. “What generates high inflation the world over is when central banks inundate the market with money to finance the fiscal deficit. It’s a universal lesson,” he noted in February.

Guerra’s full year forecast is markedly off the dramatic – and much cited – 2017 inflation forecast of 1,660% by the International Monetary Fund (IMF).

Guerra was clear that triple-digit increases in money supply are a key causal factor, as the central bank prints money hand over foot to fund the Socialist government. “An inflation rate of this magnitude is principally explained by an increase of 275% in the nominal money supply emitted by the BCV to date in 2017,” Guerra stated. It is worth noting that monetary aggregates were already rising at a rate of nearly 160% year-on-year as of end-December 2016.

“Equally, the accumulated depreciation of the Bolívar in the parallel market, and the expectations of further Bolívar depreciation, also influenced the price increases,” Guerra added. In other words, prices are highly volatile, and tending to rise almost constantly, in line with the collapse of the currency.

According to websites that calculate the (nominally illegal but widely used) parallel rate, it was trading at B\$3,690/US\$1 on 9 March. According to the BCV, the ‘floating’ official exchange rate was trading at B\$701/US\$1 on 8 March, meaning the parallel rate is running at over five times the official rate.

The AN’s inflation index will “show Venezuelans how much their salary is worth”, Guerra said when announcing the new index in February. Its initial figures for January and February, he reiterated on 8 March, suggest “the destruction of the acquisitive power of Venezuelan salaries, pensions and retirement benefits”.

The current ‘integral’ minimum wage (including food vouchers), which was increased by 50% in January, is now B\$104,358/month. At the floating exchange rate, that amounts to US\$149, but at the parallel rate, it amounts to just US\$28.3/month. President Nicolás Maduro increased the minimum wage and linked benefits (food vouchers and pensions) five times between January 2015 and January 2016.

TRACKING TRENDS

PERU | Inflation exceeds target. Peru’s national consumer price index (CPI) increased by 0.34% in February, according to the national statistics institute (Inei), bringing the cumulative rolling 12-month national inflation rate to 3.34%, which is above the official 1%-3% target range set by the central bank (BCRP) in 2007. Since 2007, Peru’s average annual inflation rate has remained below the top end of the BCRP target at 2.9%. However, with the February inflation rate results, Peru’s CPI has now been above the BCRP’s target range for six consecutive months, sparking concerns that it is losing its tight grip on inflation.

The items that registered the main price increases at a national level in February, according to Inei, were alcoholic beverages and tobacco, which increased by 1.75%, food stuffs and non-alcoholic beverages (0.86%), and recreation and culture (0.41%). By contrast, some of the main items that registered a fall in prices included housing, water, electricity, gas and other fuels, which fell by -0.62%; transport (-0.11%); and communications (-0.03%).

While for the moment Peru’s inflation rate remains acceptable, the risk is that it could start rising rapidly should domestic economic activity start to pick up pace, as expected by the government. Inei’s latest economic growth figures showed that Peru’s GDP increased by 3.9% in 2016. But Economy & Finance Minister Alfredo Thorne has said that he expects GDP growth to accelerate to 5% this year. This will very much depend, however, on the performance of Peru’s key mining sector. While according to the association of mining, oil, and energy producers (SNMPE) mining sector activity increased by 21.2% last year, it is estimated that sector activity will not be as dynamic this year, with a growth projection of 7.5%. According to the SNMPE, the main reason for the slowdown in mining sector activity is due to a lack of new investments, after investment levels fell by 46% in 2015-2016.

New foreign minister off to bumpy start

Former federal senator Aloysio Nunes, a vocal critic of Venezuelan President Nicolás Maduro, started work at Brazil's foreign ministry on 7 March. Nunes replaces José Serra, who resigned last week, citing health reasons.

On Nunes' first day in the new job, Venezuela's foreign minister, Delcy Rodríguez, said relations between Brazil and Venezuela had already got off "on the wrong foot". Rodríguez criticised Nunes for "attacking Venezuela" and said she would send him the "ABC of diplomacy". Her comments come after Nunes called the Venezuelan government "authoritarian" during his swearing-in ceremony over the imprisonment of opposition political leader Leopoldo López.

In another social-media related blip, last year, on the day the US presidential election result was announced, Nunes tweeted that President Donald Trump "represents the worst of his party, the most uncontrollable and enraged side". Now however, Nunes will be looking to tone down his previous views and forge closer diplomatic ties with the US. Doing so is important for the Brazilian economy given that the US is Brazil's second largest trading partner after China.

Nunes is unlikely to extend the same diplomatic courtesy to Venezuela. Relations between Brazil and Venezuela cooled significantly under Nunes' predecessor when Serra advocated Venezuela's suspension from the Southern Common Market (Mercosur) for failing to meet the trade bloc's economic, human rights and immigration requirements. Brazil also distanced itself from other left-wing countries, such as Bolivia and Ecuador, after President Michel Temer rose to power last year due to ideological rifts. Moreover, these countries refused to recognise the legitimacy of Temer's presidency following the impeachment of former left-wing president Dilma Rousseff (2011-2016). On 6 March, Rodríguez reopened old wounds, saying Brazil had become a "global disgrace" since it staged what she described as a "coup d'état."

Instead of mending fences with Venezuela and other Bolivarian countries, Nunes will be looking to shore up relations with the founding members of Mercosur. On 8 March, he is scheduled to travel to Buenos Aires where he will meet with the foreign ministers of Argentina, Paraguay and Uruguay to discuss the bloc's future. During his time in government, Nunes hopes to negotiate a new trade alliance between Mercosur and the Pacific Alliance bloc comprising Mexico, Chile, Colombia and Peru, and close an ongoing trade agreement between Mercosur and the European Union (EU) which has been pending for over a decade. His decision to prioritise Mercosur will please Temer, who briefed Nunes on his first day as minister on the importance of forging "universal" relationships with all countries to promote free trade, but making relationships with Latin American countries his first "priority".

Prior to joining the government, Nunes was a senator for centre-right Partido da Social Democracia Brasileira (PSDB) and was the running mate of Aécio Neves in the 2014 presidential campaign. Nunes' appointment has been applauded by allies who point to his experience as justice minister (2001-2002) and deputy governor for São Paulo (1991-1995) as proof he has the political nous to excel in the new job. The leader of the opposition Partido dos Trabalhadores (PT) in the federal senate, Lindbergh Farias, however, questioned whether Nunes is too confrontational to be a diplomat. Despite his current affiliations with the PSDB, in his formative years, Nunes was a guerrilla for communist group Ação Libertadora Nacional (ALN) and fought against Brazil's military dictatorship before spending 11 years in exile in France.

Nunes named in corruption probe

Nunes has been named in Brazil's anti-corruption investigation, 'Operation Car Wash' for alleged economic abuses. Last year, Brazil's supreme court (STF) heard evidence that Nunes received R\$200,000 (US\$63,000) in illegal campaign donations from engineering company UTC to support his 2010 campaign to become deputy governor for São Paulo according to a plea bargaining testimony from UTC's financial director Walmir Pinheiro. Nunes denies the allegations. President Temer previously said he would not take disciplinary action against any ministers accused of corruption until the judiciary pressed formal charges against them.

Brazilians risk running out of coffee

Despite being one of the world's largest exporters of instant coffee, Brazilians are suffering from a caffeine shortage this year following a coffee blight in the southern state of Espírito Santo. In an unusual measure, Agriculture Minister Blairo Maggi authorised Brazil to import instant coffee from Vietnam for the next four months. The shortage only affects lower-grade coffee used to make instant robusta whereas higher-quality varieties such as Arabica were unaffected. Overall, however, Brazil's agriculture sector is a bright spot in the Brazilian economy. Agribusinesses are forecast to generate around US\$176bn this year, up US\$5bn from 2016, according to local news site *Plus55*.

Long road ahead for recovery

Staking your political fortunes on the local economy is a risky strategy. But since he came to power, President Michel Temer has stubbornly forged ahead with a series of fiscal reforms designed to put Brazil's economy "back on track". Meanwhile, an onslaught of political crises stemming from the anti-corruption investigation 'Operation Car Wash' continues to weaken his government.

In the latest 'Car Wash' development, this week, Brazil's supreme electoral court (TSE) began hearing testimonies from former executives of the disgraced construction and engineering firm Odebrecht featuring key members of the ruling Partido do Movimento Democrático Brasileiro (PMDB). President Temer and his chief-of-staff Eliseu Padilha allegedly solicited millions of dollars in illicit campaign donations in 2014 when Temer was running alongside former president Dilma Rousseff (2011-2016), the court heard. These allegations, first voiced during plea bargaining testimonies in December, are serious and could potentially lead to Temer's impeachment if prosecutors press charges (though Temer's strong support in the federal congress makes that outcome unlikely).

Temer downplayed the corruption allegations against himself and allies during an interview with the daily news site *Folha de São Paulo* published on 7 March. Asked if he was concerned about the judiciary's investigations, he said "why would I worry about it? I am not doing anything... each [of the three] power[s] should take care of their own affairs." Rather than being distracted by corruption allegations, Temer said he would focus on reviving the economy instead. He added that the local economy was doing "exceptionally well and growing substantially."

Temer's comments coincided with news that Brazil's recession had worsened in 2016, painting a less-than-rosy picture about the country's economic outlook. Brazil's economy contracted for the eighth consecutive quarter towards the end of 2016, prolonging Brazil's two-year recession, according to a report published by the national statistics institute (Ibge). Overall, Brazil's GDP contracted by 3.6% last year. This is the worst result since the Ibge started measuring GDP in 1948. At the close of business, the São Paulo stock exchange (Bovespa) fell by 0.9%.

Despite this setback, economic analysts from *Folha* believe the worst of Brazil's recession is over. In a report released on 6 March, experts from Brazil's central bank (BCB) predicted the economy would grow by a modest 0.49% this year. They attribute this improvement to falling inflation levels, and lower interest rates, which were cut to 12.25% last month. This could boost domestic consumption and attract more investment.

To inject more cash into the local economy, the Temer administration has unveiled 55 new infrastructure development projects as part of the 'partnership in investment programme' (PPI). This should generate around R\$25bn (US\$14.43bn) in investment and provide around 200,000 new jobs. Temer has also pledged to simplify Brazil's Kafkaesque tax system this year, amid concerns that red tape is a barrier to investment.

All this may not be enough to turn Brazil's economy around. The corruption allegations plaguing the government could jeopardise the progress of more important economic reforms such as a pensions overhaul designed to cut the public deficit in half. By looking abroad for support, Temer risks dampening investor confidence by ignoring the political crisis brewing at home.

CGT tries to ride a tiger

Trade union tension

Journalist Joaquín Morales Solá, writing in the national daily *La Nación*, described the trade union rally as a battle between “classical Peronism and the orthodox union leaders” on the one hand, and “the political and trade union left and the *Kirchneristas*” on the other. He noted one of the radical chants heard during the rally, *se va acabar, se va acabar, la burocracia sindical* (“it will end, it will end, the trade union bureaucracy will end”) had not been heard on the streets of Argentina for 40 years.

A major anti-government demonstration called by the re-unified umbrella trade union movement Confederación General del Trabajo (CGT) on 7 March, by gathering tens of thousands on the streets of Buenos Aires, showed the strength of opposition to the economic policies of President Mauricio Macri. But tensions and scuffles at the tail end of the march highlighted some of the divisions in the opposition camp, as well as the uncertainty over the real balance of political forces in Argentina ahead of the October mid-term congressional elections.

A triumvirate of leaders, collectively known as “los gordos”, currently runs the CGT. The name is not a reference to the physical size of Juan Carlos Schmid, Carlos Acuña and Héctor Daer, but to some of the main trade unions they represent, wealthy and powerful organisations that on the whole have benefited from negotiations with the centre-right government led by President Macri, not least by receiving federal funding for various union-administered social programmes. These leaders disagree with Macri’s economic policies. They believe inflation and unemployment are too high. They would like to lead and manage popular discontent, deciding jointly, and in their own time, how best to use the threat of a general strike to extract maximum concessions from the government.

Up until this week the unions could not reach agreement among themselves on whether or when to actually call such a strike. This did not stop them, however, from calling a mass demonstration against the government’s policies. The protest, held on 7 March, brought Buenos Aires to a halt. The numbers were swelled by the CGT’s appeal for all anti-government groups to take part, including the rival labour confederation (Central de Trabajadores de la Argentina, CTA), various left-wing parties, and elements of the Partido Justicialista (PJ, Peronists) that are critical of the CGT. Former President Cristina Fernández (2007-2015), a long-standing opponent of the CGT leadership, issued a specific call for her followers to take part in the march.

But los gordos almost lost control of the entire event. Right from the beginning radical groups demanded that they immediately name a date for a general strike. The day before, Acuña had indeed promised teachers – themselves on a 48-hour stoppage to back wage claims – that the strike would be fixed for before 31 March. But on the day itself Daer initially spoke of a general strike “before the end of the year”.

As tensions rose, the CGT triumvirate, facing a hostile crowd, struggled to unify their messages. Amid the confusion the formula they came up with – a strike “toward the end of the month or early in April” – failed to calm the protesters. Various radical groups invaded the stand where speakers addressed the rally. Amid scuffles and the throwing of chairs and stones, los gordos had to flee the scene in an undignified manner, to seek protection.

Many saw the untidy end of the rally as a re-run of the Peronist street politics of the 1970s and 1980s (*see sidebar*). Others saw the factional infighting and squabbling as a kind of microcosm and melting pot of Peronist, left-wing, and nationalist politics in the run up to the mid-term congressional elections this October.

The presence at the rally of people working in small and medium-sized enterprises (SMEs), who say they have been hard hit by government policies

Massa

It was noteworthy that federal deputy Sergio Massa, leader of the Peronist Frente Renovador (FR), said to be close to Héctor Daer, one of the CGT's ruling triumvirate, was present at the rally. There is speculation that Massa may be seeking to manoeuvre to get the endorsement of the CGT leadership for October's mid-term legislative elections.

favouring imports, was noteworthy. In contrast to Macri's free trade policies, his opponents believe that a more protectionist stance could win votes among that particular constituency.

While the rally was a case study in political effervescence, it may be too early to reach any clear conclusions about its impact on the congressional elections. Some argue that the scuffles at the end may help Macri by reminding Argentine voters of 'the bad old days' of Peronist faction fighting. But the sheer size of the rally could also be interpreted by the ruling Cambiemos coalition as a worrying sign that its promise of economic recovery has yet to convince large sections of the electorate.

The CGT says that last year it accepted wage restraint, with salary increases in the 25-30% range, but inflation ended up at 40%, eroding real purchasing power. The government insists that inflation will come down this year, but the CGT is demanding there be no central government cap on wage settlements.

After the rally, the government has renewed its invitation to union leaders to take part in negotiations. Under pressure from the rank-and-file, los gordos are likely to try and drive a harder bargain, and may in the end even feel forced to call a general strike just to re-assert their authority.

TRACKING TRENDS

PARAGUAY | GDP growth exceeds forecast. On 8 March Paraguay's central bank (BCP) released its latest economic figures, which show that the domestic economy posted a growth rate of 4.1% in 2016.

The 2016 GDP growth result is marginally higher than the BCP's forecast of 4%. It confirms that Paraguay's economy continues to exhibit resilient growth despite an adverse international economic scenario in which Paraguay's main trading partners in the region (Argentina and Brazil) continue to struggle economically.

The better-than-expected performance of the Paraguayan economy suggests that not only has it been able to avoid any economic contagion effects from its neighbours but it has also succeeded in conjuring broad-based growth despite lower regional demand for its goods.

According to a BCP report covering the last quarter of 2016, economic activity in that period increased by 3.4% year-on-year, taking the cumulative growth rate to 4.1%. The sectors that registered the highest growth levels were construction, in which activity increased by 18.6%; electricity generation (12.6%); manufacturing and mining (5.3%); forestry and fishing (4.1%); and agriculture (2.6%).

The performance of the construction sector suggests that investor confidence in the country remains high, while the notable increase in electricity generation activity has been attributed to the hot Southern Hemisphere summer, which this year has produced record-high temperatures not just in Paraguay but also in Brazil and Argentina, with which Paraguay shares two major hydroelectric plants – Itaipú and Yacyretá respectively – and to whom it sells its surplus electricity.

But perhaps the solid performance of the manufacturing and mining sector is the most encouraging, given that Paraguay's economy remains largely dependent on the agricultural sector and one of its challenges is to move away gradually from this dependence and towards greater industrialisation. It appears that this might finally be occurring, with reports in Brazilian media recently highlighting that some 78 Brazilian manufacturing firms have decided to move their operations to Paraguay since 2014 to take advantage of the more positive tax and general economic environment.

Meanwhile Paraguay's industry & trade minister, Gustavo Leite, has recently said that some "world leading" manufacturers from Brazil, Spain, Italy and the US have recently expressed an interest in setting up operations in Paraguay after conducting "preliminary studies".

Upsurge in violence

There may be a pattern playing out across the country, where new governors face an upsurge in violence as the DTOs seek to 'test' their resolve on the security front.

According to research by website *Animal Político* using data from the government's Secretariado Ejecutivo del Sistema Nacional de Seguridad Pública (SESNSP) in nine out of 12 states that elected new governors in 2016 there were increases in levels of violence, often starting two months before the date of the elections. The worst two cases were Chihuahua and Veracruz, where the number of homicide investigations surged and forced disappearances almost doubled. SESNSP data shows there were 196 homicides in Veracruz in December and 188 in January.

MEXICO & NAFTA

MEXICO | SECURITY

Yunes faces growing Veracruz security threat

The governor of the state of Veracruz, Miguel Ángel Yunes, who is now completing his first 100 days in office (he was sworn in on 1 December), is facing a rapidly deteriorating security situation. Like other new governors in states where there is a strong organised crime presence, he has limited options.

Veracruz is feeling like a war zone. At the beginning of March news emerged that 11 corpses bearing signs of torture had been found in a van parked in the municipality of Boca del Río. A cardboard sign pinned to the windscreen stated, 'they want war, and war is what they'll get' (Guerra quieren, guerra van a tener). On 5 March an estimated 50 gunmen launched a major attack on a federal police station in Orizaba, apparently in an attempt to recover a Freightliner truck which had been confiscated in an investigation into fuel theft (the attackers were repelled). On 7 March armed men kidnapped two doctors from a health centre in El Horcón, in the municipality of Tihuatlán. Meanwhile forensic experts continue to investigate a mass grave in Colinas de Santa Fé. To date they say they have found 240 corpses, mainly young men and women. With 60% of the area still to be searched, investigators suggest the site could yet turn out to be the largest mass grave discovered in Latin America.

It is hard to make out exactly what is going on in the state. But it is clear that a turf war has broken out between major drug trafficking organisations (DTOs) which to some extent had previously co-existed in a relatively peaceful manner during the notoriously corrupt governorship of Javier Duarte Ochoa (2010-2016). Duarte, elected for the ruling Partido Revolucionario Institucional (PRI), faces multiple corruption charges and is still a fugitive from justice.

According to left-wing weekly *Proceso*, the main battle now being fought in Veracruz is between the *Cártel Jalisco Nueva Generación* (CJNG), now widely considered one of the most powerful criminal groups in Mexico, and the recently weakened Sinaloa DTO. Meanwhile in various parts of the state the remnants of the Los Zetas DTO are also still present, as are independent criminal groups.

The new governor was initially reluctant to comment on incidents of violence. In an earlier interview with *Proceso*, Yunes, a member of the right-wing Partido Acción Nacional (PAN) who was elected as part of a coalition with the left-wing Partido de la Revolución Democrática (PRD), had asked for "six months to a year" to solve the problem of kidnappings and so-called "high-impact crimes", and to bring his predecessor to justice. But after the discovery of the Boca del Río corpses the governor said there was a war in progress between organised crime groups.

Yunes estimated that 70% of the homicides are the result of gang-on-gang violence. He also acknowledged that the local police had been penetrated by the DTOs. The governor welcomed an intervention by the federal interior minister, Miguel Ángel Osorio Chong, who said extra units from the national gendarmerie, a division of the federal police (PF), would be deployed with the army in nine municipalities in Veracruz which between them have half a million inhabitants and account for around 50% of crime incidents in the state.

The main outlines of the new anti-crime strategy in Veracruz are still not clear. Despite ongoing coordination efforts one potential problem may be the sheer number of separate law enforcement agencies in operation. Currently active

Policing duties
A recent survey by polling agency Parametría shows that 60% of respondents would prefer to see the army patrolling the streets, against 18% who expressed a preference for the police. A further 20% said they would prefer neither the army nor the police to be on the streets.

are municipal and state police, the PF, the army, the marines and now the gendarmes. Octavio Gracián Malpica, president of the Orizaba chapter of business lobby Canacintra, has argued that a proposal to deploy yet another unit, the military police, is “premature”. Although recognising the severity of the problem, Gracián suggested that the newly deployed gendarmerie should be given time to gather intelligence and to carry out a security audit across the entire state. He suggested the new governor should concentrate on unifying the chain of command and improving intelligence collection.

Osorio Chong talks up law on interior security

Interior Minister Miguel Ángel Osorio Chong has continued to express support for the controversial draft law on interior security, currently being debated in the federal congress. The draft is an attempt to create a legal framework covering the involvement of the armed forces in the struggle against domestic crime. In effect, since the armed forces were first given this task in 2006, they have been operating in something of a legal limbo, since the constitution clearly states their role relates exclusively to national security – in other words to the protection of the country from external attack, while domestic public security should be the responsibility of the police, accountable to the civilian authorities.

Critics say the last two governments failed to reform and restructure the police to improve their ability to deal with organised crime, and that prolonging military involvement will be bad for democracy, human rights, and civilian oversight. For them, the way forward should be to rebuild the police, not to prolong the involvement of the army.

But Osorio Chong insisted “nobody is looking to create a legal framework to militarise the country.” On the contrary, the aim was to find a way to allow the armed forces “to return to barracks”. Analysts said the pathway to approving the new law would be complicated, as different members of congress have submitted no less than five separate drafts.

TRACKING TRENDS

MEXICO | Combating rising inflation. Mexico’s central bank (Banxico) has released the latest instalment of its monthly survey of local economists, which found that the consensus forecast is that the national inflation rate will reach 5.39% this year. The new consensus inflation forecast is higher than the 5.25% forecast made by surveyed economists in January. The increased forecast revision came after Banxico reported on 1 March that the inflation rate had reached 3.36% in 2016, coming in above the bank’s target of 3%. The Banxico report also showed that cumulative inflation in January reached 4.72% on the back of the petrol fuel price increases that came into effect at the start of the year. This has added to the significant inflationary pressures in Mexico stemming from the sharp depreciation of the Mexican peso against the US dollar since the election of Donald Trump as US president in November 2016. Indeed, on the back of these factors, the report notes that Banxico expects that the inflation rate will remain above 4% in 2017 and will only begin coming back to its 3% target by the end of 2018.

Problematically, the Banxico survey found that increased inflation will be one of the factors that will hold back domestic economic growth this year, along with persistently weak global economic activity and international political instability. These factors led the economists surveyed by Banxico to forecast that growth will only be of a moderate 1.49% in 2017 (unchanged since January), compared to the 2.3% registered in 2016. Banxico itself revised down its GDP growth forecast from a range of 1.5%-2.5% to 1.3%-2.3% on the back of the year-end 2016 economic results.

Banxico also recognised that the falling value of the peso is a concern. Banxico announced on 21 February that it was going to implement a new instrument to combat the currency’s volatility and offer up to US\$20bn in currency hedges this year. A first successful auction of US\$1bn was completed on 6 March. Although the peso is currently trading at M\$19.67/US\$1, analysts estimate the peso could end up trading at M\$21.15/US\$1; this amid expectations that the outlook of Mexico-US economic relations under Trump is bleak.

Morales and Hernández face up to corruption**Guatemalan protests**

The indigenous protesters caused significant traffic jams in Guatemala City, with busy streets blocked across the capital. The private sector lobby *Comité de Asociaciones Comerciales, Industriales y Financieras (Cacif)* expressed little sympathy. *Cacif* demanded that the protesters respect the right to free movement and refrain from damaging productivity and national development.

Thousands of protesters descended on the Guatemalan capital this week to call on President Jimmy Morales to resign for failing to get to grips with corruption. Meanwhile, in neighbouring Honduras, a key development in the anti-corruption case involving the country's social security institute (IHSS) could prove crucial for the re-election ambitions of President Juan Orlando Hernández this November.

Anti-corruption protests erupted in Guatemala on 7 March when an estimated 15,000 indigenous protesters marched through Guatemala City to the national palace and congress calling for a premature end to the presidency of Jimmy Morales just over one year after he took office. They accused Morales of renegeing on a campaign promise to combat corruption.

In Honduras, the former director of the IHSS, Mario Zelaya, and chief financial officer, José Ramón Bertetty, were sentenced to 15 years in prison each for embezzlement and abuse of authority. This marks important progress in the fight against corruption in Honduras but it in no way draws a line under the IHSS case, where investigations have revealed entrenched corruption, which contributed to the financing of the campaign of Juan Orlando Hernández in the 2013 general elections. Further detailed revelations of corruption embroiling the ruling Partido Nacional (PN) could damage his re-election bid.

The march in Guatemala was organised by the indigenous organisation *Comité de Desarrollo Campesino (Codeca)*. Protesters carried banners calling on Morales to resign for being "incapable", failing to honour his campaign pledge to clamp down hard on corruption in public life. The protesters urged the United Nations-backed International Commission against Impunity in Guatemala (Cicig) to investigate Morales for writing off the debt of 216 companies. The main focus of their ire was not so much Morales, however, as the legislative assembly. They demanded that the attorney general's office investigate more than 100 congressional deputies for allegedly pocketing bribes of US\$40,000 each in 2012 to award a road infrastructure contract to the Brazilian construction and engineering Odebrecht, whose tentacles appear to have reached out to almost every corner of the region.

The march by the indigenous farmers coincided with the conviction of Elmer López Rodríguez, the former agriculture minister during the government of impeached former president Otto Pérez Molina (2012-2015), and his former deputy Fidel Ponce, for corruption. The two men were sentenced to three years in prison for running a contraband network involving maize and beans unfit for human consumption brought in from Mexico, a health risk for the poorest and most vulnerable Guatemalans benefiting from the state programme 'Hambre Cero'.

The contraband corruption scandal, revealed by Cicig last September, dates back to 2014 when the Pérez Molina administration declared a state of national calamity in Guatemala from the impact of the climatic phenomenon El Niño. Shortly afterwards contraband maize and beans were bought directly from a local company, *Empacadora el Bodegón*, to the tune of Q495m (US\$65m), a negotiation carried out by Juan Carlos Monzón, the former private secretary of disgraced former Vice-President Roxana Baldetti.

Lobo

Devis Leonel Rivera Madariaga, a former leader of the Honduran drug trafficking organisation Los Cachiros being held in the US, claimed this week to have paid former president Lobo and his son Fabio hundreds of thousands of dollars in exchange for protection from prosecution. Rivera Madariaga was giving testimony in a court in New York against Fabio Lobo, who was arrested in Haiti by the US Drug Enforcement Administration (DEA) in 2015 and pleaded guilty to conspiring to import and distribute cocaine in the US. Rivera Madariaga claimed that then-president Lobo appointed his son as an interlocutor with Los Cachiros. Porfirio Lobo denied what he described as “absolutely false accusations”, insisting that he “never received any money from criminals”. The Honduran attorney general’s office announced on 8 March that it would investigate Rivera Madariaga’s accusations.

The corruption scandal at the IHSS in Honduras also affected the poorest sectors of society most; its systematic plundering through a network of sham companies given IHSS medicine, construction and transport contracts in order to fund the lavish lifestyles of Zelaya and other senior officials meant that there was often no money for essential medicine and treatment for ordinary Hondurans. Zelaya and Bertetty were handed down 15-year prison sentences for buying airline tickets to Miami in the US at inflated prices from a Honduran travel agent, John Charles Bográn, who was given an eight-year sentence for his role in the corruption scheme.

Zelaya assumed his position under the (PN) government of Porfirio Lobo (2010-2014). The Hernández administration maintains that it is fully committed to fighting corruption and ending impunity, and that convictions such as these demonstrate that local prosecutors are operating freely without any pressure being brought to bear on them to avoid going after former officials in a PN government. But if the confirmation that these officials were siphoning off public resources for their own personal enrichment were not damaging enough to the PN’s credibility, Lobo himself was accused of corruption on 6 March (*see sidebar*).

TRACKING TRENDS

CUBA | Investment. Cuba is seeking to attract investment from foreign companies to different sectors in a bid to develop a sustainable economic structure that is capable of advancing national development. Efforts are being concentrated predominantly on attracting investment to sectors such as industry, food, tourism, mining, biotechnology, oil, and renewable energy, among others. In the food sector, for instance, the country is obliged to import 80% of its food items, at a cost of US\$2bn per year.

Cuban authorities are currently developing 21 projects that are connected to the food industry and are expected to attract US\$762m of foreign investment to Cuba. According to Cuba’s deputy minister of food industry, Betsy Díaz Velásquez, several countries from the European Union (EU) as well as South America have expressed an interest in investing in the sector through mutual projects. More specifically, the Cuban ministry of food industry (Minal) is currently concentrating on the founding of a new ‘Cristal’ – a national beer brand – brewery plant in the Special Economic Development Zone of Mariel, which gives foreign and local companies significant tax and customs breaks. The multinational company Nestlé is also considering opening a factory in the country, which would concentrate on the production of biscuits and coffee, according to Díaz Velásquez. Nestlé re-introduced Cuban coffee to the US market in 2016 for the first time in more than 50 years.

PANAMA | Growth slowing down. Panama’s GDP expanded by 4.9% in 2016 on the previous year, according to the national statistics institute (Inec). This puts GDP growth below the 5.2% rate previously projected by international organisations.

The GDP result confirms the gradual slowdown of the Panamanian economy since 2011, when annual GDP growth expanded by 10.8%. The annual GDP growth rate stood at 8.4% in 2013, 6.2% in 2014 and 5.8% in 2015, Inec reported.

One of the main reasons behind the slowing pace of GDP growth is the impact of a weaker-performing Colón Free Zone (ZLC), which contracted by 7.9% in 2016. Another important factor is the Panama Canal, showing a contraction of 1.1%, caused by a smaller volume of vessels passing through.

On the other hand, expansion in hydroelectric, wind and solar energy generation led to an increase of 10.6% in electricity, water and gas supply in 2016. Another major motor of GDP growth in 2016 was construction, which rose by 8.3%, and was generated by public and private investment in residential, non-residential and infrastructure projects.

POSTSCRIPT

Quotes of the week

“You cannot contain poverty, catastrophes and migrants with walls, but with cooperation, understanding and peace.”

*Cuba's President
Raúl Castro.*

“We will not allow one company, which, as we have seen, was a criminal company that penetrated governments the length and breadth of Latin America for many years...to jeopardise this country's great infrastructure revolution.”

*Colombia's President
Juan Manuel Santos
on the Brazilian firm
Odebrecht.*

“Haiti is like a bottle which must rest on its broad base to be secure, because resting on its narrow mouth [the political elite] it would topple over and shatter.”

*Haiti's late president
René Prével.*

Prével's passing exposes scale of Moïse's task in Haiti

Haiti's former president René Prével died of a suspected heart attack at the age of 74 on 3 March. Prével will be remembered as a beacon of stability in Haiti. He was the only head of state since the fall of the Duvalier dictatorship in 1986 to complete a full term in office without being toppled in a coup d'état or forced into exile, and to hand over power as scheduled to an elected successor. And he managed it not once but twice (1996-2001 and 2006-2011). In 2011 he became the first president to hand over power peacefully to a member of the opposition, Michel Martelly, who tweeted that Prével had been “a friend and adviser”.

The government led by President Jovenel Moïse declared six days of national mourning which will culminate in Prével's funeral on 11 March. Unlike his polarising mentor Jean-Bertrand Aristide, whose autocratic traits and determination to push through sweeping reforms in the face of entrenched interests played a part in his ouster from the presidency in 1991 and 2004, Prével managed to appeal to Haiti's poor and disenfranchised majority without alienating the wealthy and powerful minority.

Moïse lamented the loss of Prével: “I prostrate myself before the remains of this worthy son of Haiti”. Moïse, whose fledgling government is only just finding its feet after a deeply divisive and protracted electoral process resulted in a political crisis which lasted more than a year, will aspire to emulate Prével's political longevity; Moïse's opponents, meanwhile, will be hoping that he can demonstrate some of Prével's talent for consensus-building and reaching across political divides.

Moïse, who took the oath of office on 7 February, faces some gargantuan social, economic and political challenges. Crucially, if he is to achieve any measure of success in dealing with the bigger issues confronting Haiti, Moïse will need to gain some credibility. In addition to facing money-laundering allegations, Moïse was handpicked by Martelly, who left power under a cloud exhibiting authoritarian tendencies, and is widely seen as his predecessor's puppet. Much the same had initially been suspected of Prével but he forged his own path, parting ways with his mentor in 2006 by disarming slum gangs of Aristide loyalists known as Chimères, which had acquired a reputation for being heirs to the egregious Tonton Macoutes of the Duvalier dictatorship.

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