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Region unites against corruption and on Venezuela

The two-day Summit of the Americas (SOA), hosted by Peru on 13 and 14 April, resulted in the 'Lima Commitment', a 57-point statement on combating corruption and strengthening democracy. But it was a seven-point statement on Venezuela, signed by all of the hemisphere's heavyweights, that captured most attention.

The core issue discussed by attending heads of state at the SOA was 'democratic governance against corruption'. It was an interesting title as it is corruption that has done most to undermine democratic governance in the region. Public support for democracy has declined alarmingly across the region in the wake of recent corruption scandals, especially the payment of bribes to government officials and politicians by the Brazilian construction firm Odebrecht with a view to securing lucrative public works contracts. It is perhaps fitting that the 57-point blueprint for democratic governments to strike back against corruption should have been named the 'Lima Commitment' given how keenly the Odebrecht scandal has been felt in Peru, eventually bringing down President Pedro Pablo Kuczynski last month.

The host of the SOA, Kuczynski's successor President Martín Vizcarra, promised that Peru would now lead the way. "Corruption has held back the development of our peoples for decades," Vizcarra said. "While this is going on our governments are unable to solve problems like delinquency and informality. We must not live alongside corruption as if it were inevitable. We will adopt concrete measures to increase transparency and access to information..." he insisted.

These measures are outlined in the 'Lima Commitment'. They include strengthening democratic institutions for the prevention of and fight against corruption; strengthening judicial autonomy and independence; promoting and encouraging policies of integrity and transparency in the judicial system; implementing teaching and learning programmes at all levels of education to develop a culture of citizen participation and prevention of corruption; deepening private sector participation in the formulation of public anti-corruption policies, (and encouraging it to develop its own integrity promotion programmes); promoting measures to prevent conflicts of interest; and improving protection for whistleblowers and informants.

Signatories also undertook to promote the use of new technologies that facilitate digital government to improve transparency and accountability for public procurement and contracting of services and public works, and to promote the inclusion of anti-corruption clauses in all state and public-private partnership contracts. Significantly, they also agreed to move towards preventing regional financial systems from being misused to transfer and conceal illicit funds.

Business summit

Peru's President Martín Vizcarra inaugurated a parallel business summit, 'Made in the Americas', just ahead of the main Summit. "All efforts to reduce the gap in investment and development of new businesses will be limited if governments fail to assume an ever more active role in combating practices such as bribery in the contracting of public works," Vizcarra said. He highlighted physical and digital connectivity, development of competences, transparency and integrity, and fighting against corruption as the keys to development. Vizcarra invited the business sector to join efforts by the public sector "to accept the challenge of establishing a mechanism to help prevent bribery and incentivise transparency".

It is all laudable enough in principle but applying these measures in practice will prove much more challenging, with some inevitable pushback where governments have the will to act. In this regard, the 57-point statement bore resemblance to the seven-point statement on Venezuela signed on the sidelines of the SOA by 16 countries. The signatories were united in condemning the breakdown in constitutional order in Venezuela and the forthcoming presidential election on 20 May as "void of legitimacy and credibility", but not on what actions to take, other than to urge the United Nations and multilateral institutions to redouble efforts to relieve the country's humanitarian crisis.

"We will be generous with the Venezuelan people but implacable with this regime that is doing so much damage," Colombia's President Juan Manuel Santos said. "We will not recognise the results of elections designed to conceal a dictatorship. It is incredible that [President Nicolás] Maduro continues to deny everything when the world can see the Venezuelan people are dying of hunger," he added. "Elections in which parties are barred from standing are not legitimate," Chile's President Sebastián Piñera said. "There is no democracy...there are political prisoners," Argentina's President Mauricio Macri said. "There is no space in our region for alternatives to democracy," Brazil's President Michel Temer said (prompting some criticism at home given the manner in which he took office).

Even Ecuador's Vice President María Alejandra Vicuña fell short of backing Maduro, urging his government to pursue dialogue "within the framework of democracy". Instead, Vicuña launched a scathing attack on Ecuador's former president Rafael Correa (2007-2017), a close ally of Maduro's, which could have been interpreted as a criticism of the Venezuelan head of state. "A government cannot define itself as progressive if corruption is tolerated," Vicuña said. "However great the physical works constructed, if behind this there is the immoral stamp of corruption, as regrettably occurred in the final stages of the last government of former president Correa, we will never defend it," she added.

For his part, US Vice President Mike Pence maintained that "In Venezuela, the tragedy of tyranny is on full display. Under Maduro, Venezuela is a failed state and failed states have no borders. The United States will not stand idly by as Venezuela crumbles. Every free nation must take strong action against the Maduro regime. The US will not rest until democracy is restored."

Although the 16 countries which signed the statement make up more than 90% of the population of the Americas between them, they remain seven short of the total of 23 needed to invoke the Inter-American Democratic Charter of the Organization of American States (OAS) due to the success of Venezuela's oil diplomacy in retaining the support of a collection of small Caribbean states. Bolivia's President Evo Morales, along with Cuba's foreign minister Bruno Rodríguez, led the defence of the Maduro administration. Morales took aim at capitalism which, he said, "previously used the pretext of fighting communism and now fighting corruption to topple democratic governments".

Morales flew on to Venezuela after the SOA to meet Maduro, who was disinvented by the Peruvian government. "The lackeys of imperialism will be defeated and pass into the dustbin of history," Maduro said defiantly after meeting Morales. Denouncing "an international plan to sabotage the elections", Maduro argued that "what matters is that the institutions and people of Venezuela recognise the results". The problem with this is that the subordination of the country's institutions to the executive branch, and the systematic erosion of checks and balances, will all contribute to the distortion of the electoral process, meaning it will not be clear whether the majority of the Venezuelan people really "recognise the results".

Uniting to fight a common enemy

The governments of Colombia and Ecuador are mounting an offensive against dissidents from the demobilised Fuerzas Armadas Revolucionarias de Colombia (Farc) operating on the shared border, but the level of security cooperation appears to be the cause of some bilateral diplomatic tensions. This comes after Ecuador's President Lenín Moreno confirmed that three people working for the country's national daily *El Comercio* kidnapped last month had been murdered by a group of Farc dissidents led by 'Guacho' (Walter Patricio Arizala Vernaza), which has now taken an Ecuadorean couple hostage.

"From one group (Frente Primero), they have grown to between 16 and 18 structures, gathering around 1,200 members, with some sort of presence in different areas of 13 [out of Colombia's 32] departments," the Colombian NGO Fundación Ideas de Paz (FIP) claimed in a detailed report into Farc dissident groups released this week. The FIP said that between June 2016 and the end of March 2018 Farc dissidents carried out at least 147 recorded attacks in 13 departments, as well as eight reported in Ecuador (*see map below*). The FIP raised its concern that problems with reinsertion of demobilised Farc guerrillas into society, and a lack of security guarantees, could see a further influx into dissident groups in the months ahead.

Two of the three most prominent Farc dissident leaders at present are 'Gentil Duarte' (Miguel Santanilla Botanche) and 'Iván Mordisco' (Néstor Gregorio Vera Fernández), who control a large part of the cocaine trade in six departments, including the main transit routes into Brazil and Venezuela. The third is 'Guacho', who controls the drug trade in the south-western department of Nariño, especially the port city and municipality of Tumaco, near the border with Ecuador, through his Frente Oliver Sinisterra (FOS, named after a former leader of the Farc in Nariño who was killed in 2015).

It is the actions of Guacho in Ecuador which have been grabbing all of the headlines in recent days. On 13 April, President Moreno confirmed that the three men working for *El Comercio* (a journalist, photographer, and driver) kidnapped in Ecuador's border province of Esmeraldas had been murdered by the FOS.

Ecuador's interior minister, César Navas, announced that nine people had been arrested at the weekend during security operations along the shared border in connection with the kidnappings, including four active members of the FOS and a relative of Guacho, for whom he announced a reward of US\$230,000. Colombia's defence minister, Luis Carlos Villegas, who attended a meeting of the binational security commission (Combifron) in Quito on 16 April, along with his colleague Foreign Minister María Angela Holguín and their Ecuadorean peers Patricio Zambrano and María Fernanda Espinosa respectively, said that Ecuador could "rest assured that Colombia will continue to provide all of its cooperation until those responsible for these events are captured".

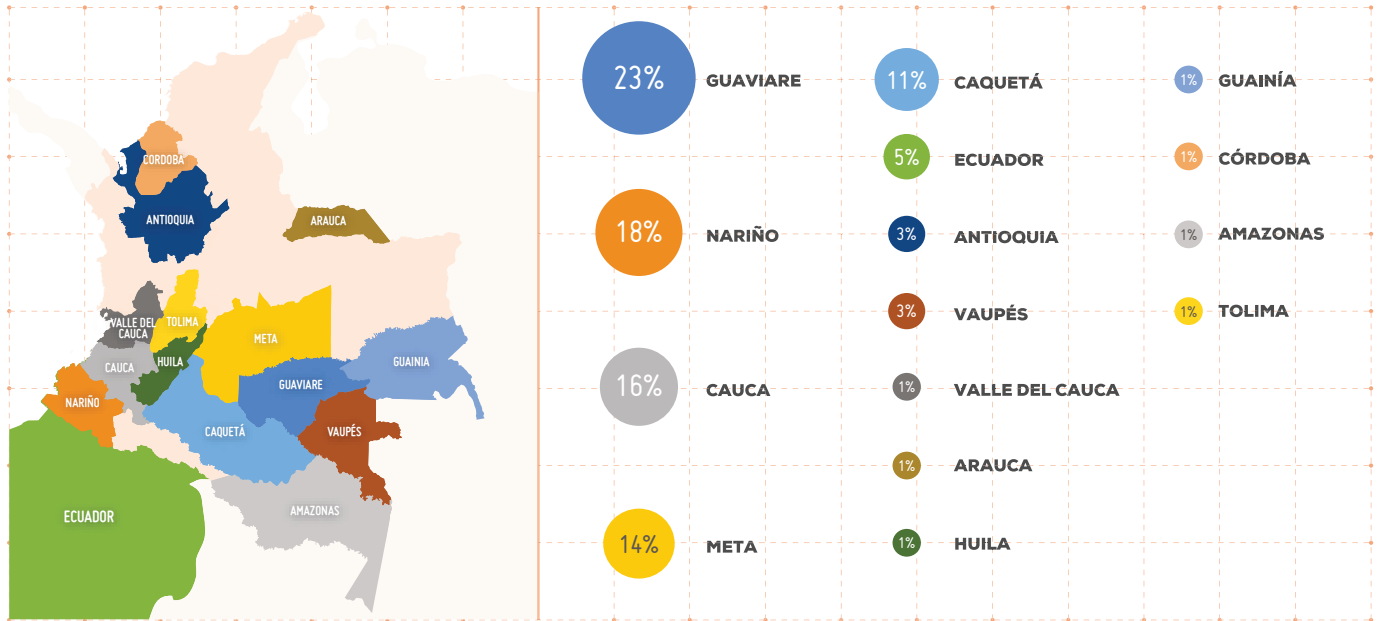
There have been some differences between the two governments, however, with Ecuador claiming that the bodies of the *El Comercio* workers are in Colombia and that Guacho is Colombian, and Colombia saying they are in Ecuador and that Guacho is Ecuadorean. Navas also snapped that Ecuador needed "real collaboration" shortly after the Combifron meeting when the FOS sent the Moreno administration a video of an Ecuadorean couple, taken hostage on 11 April, appealing for help. It is not clear if they were seized in

Farc response

The leader of the Fuerza Alternativa Revolucionaria de Colombia (Farc), 'Timochenko' (Rodrigo Londoño), tweeted his "most sincere condolences" to the relatives of the Ecuadorean journalists killed by Farc dissidents, saying that it underscored "the need to keep working for peace". Another senior member of the Farc party, 'Pablo Catatumbo' (Jorge Torres Victoria), denounced the murders as "barbaric".

Esmeraldas or across the Colombian border. Moreno, meanwhile, called for unity to combat “an invisible enemy”. He also gave Guacho 10 days in which to surrender or “face the consequences”. In a boost for bilateral cooperation, one of Guacho’s chief lieutenants, ‘Brayan’ (Vicente Cánticus Pascial), was captured in Nariño in a joint action on 18 April.

Percentage of actions attributed to Farc dissidents confirmed in Colombia (by department) and Ecuador



Source: Fundación Ideas de Paz (FIP)

TRACKING TRENDS

BOLIVIA | LPG to Argentina. On 14 April Oscar Barriga, the president of Bolivia’s state-run oil company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), announced a contract signed with Argentine company Amarilla Gas for the export of 3,000 tonnes (t) a month of liquefied petroleum gas (LPG) to Argentina. The LPG will come from the Gran Chaco ‘Carlos Villegas’ liquid separation plant, in Gran Chaco province, Tarija department. According to Barriga, the first export of 300t to Argentina took place on 11 April.

Bolivia is already providing LPG to Peru, Paraguay, and Uruguay and has revealed plans to export it to Brazil, its main market for hydrocarbons. The Carlos Villegas plant, which began operating in 2015, is capable of processing 32.2m cubic metres per day (mmcm/d) to produce 2,247 t a day of LPG, 1,658 barrels of gasoline per day, 1,044 barrels of pentane per day, and 3,144t of ethane a day.

REGION | CAN exports up. On 16 April, the Andean community (CAN) trade bloc (comprising Colombia, Peru, Ecuador, and Bolivia) released a new report which revealed that CAN exports to the rest of the world reached a total of US\$107bn in 2017, up 19.1% compared with the previous year. The same report showed that exports from Bolivia registered an 11.1% yearly increase, exports from Colombia increased by 19.1%, exports from Ecuador increased by 13.9%, and from Peru by 23.3%. According to the same report, the main exports were crude; minerals such as copper, unprocessed gold and bituminous coal; and fresh Cavendish Valery bananas. The same report showed that exports within the Andean region in 2017 amounted to US\$7.6bn, a 6.2% increase on the previous year.

VENEZUELA | Oil. Venezuela’s oil refineries worked at 31% of their combined 1.62m barrel-per-day (bpd) capacity in the first quarter of this year, well below 2017 levels, according an internal document from Venezuela’s state-run oil company Pdvsa seen by newswire *Reuters*. The company’s refineries processed 510,000 bpd of crude in the first quarter, down sharply from a 631,000 bpd average in all of 2017.

Temer's cabinet of continuity

President Michel Temer has been forced to replace half of his cabinet. The exodus was caused by Brazil's electoral rules which state that candidates who intend to run in the general election must step down in April – or six months before the election date. Temer exercised caution to choose replacements that provide continuity. But the bigger question is whether he has any gas left in the tank to push through his remaining economic reforms before the end of his term in December.

The government appointed a series of new cabinet ministers (*see table below*). Most of these were technical appointments, and seven out of 10 already had experience working in the same department. But the reshuffle was also political in nature and many of the replacements were poached from the so-called 'centrão' group of centrist parties who form part of a powerful coalition in the federal congress.

President Temer's move to appease the centrão parties comes as he looks to restart his legislative agenda. Top priorities include: the privatisation of state-owned utilities company Eletrobras and the rolling back of payroll taxes.

However, congress appears to have a different agenda, according to local daily *O Estado de São Paulo*. Behind the scenes, there are another 60 measures dubbed the 'pauta-bomba' ('bombs away') pending in the senate's economic affairs committee in accordance with a clear electoral agenda. These range from tax benefits to debt relief and could hit public accounts for R\$667bn (US\$194bn) over the next two years. Temer would have the power to veto the proposal if it comes to fruition.

New energy & finance ministers

Another blow to Temer's economic agenda could be the loss of his star economy minister Henrique Meirelles, who is touted as a possible presidential contender for the ruling Movimento Democrático Brasileiro (MDB). He will be replaced by economist Eduardo Guardia, who already served as chief officer at the finance ministry from June 2016, just after Temer first came to power, and is expected to provide continuity with Meirelles.

Broadly speaking, investors are not overly concerned about changes to the economy ministry. But there is a lack of market confidence in the new energy and mines minister, Moreira Franco, a personal friend of Temer's whose appointment is seen as political.

After the announcement, shares in Eletrobras fell by 13.2% on the Bovespa stock exchange and lost R\$4.1bn (US\$1.2bn) in value between 6 and 13 April. This reflects the decreased likelihood he will be able to push the privatisation reform through congress.

Rodrigo Maia, from the centre-right Democratas (DEM) party, said Franco's name was "not well respected" by legislators. In another bad omen, senior figures in the energy & mines ministry resigned after the previous incumbent, Fernando Coelho Filho, quit.

Franco's loyalty rewarded

Nevertheless, Franco has been a stalwart in Temer's government ever since he came to power following the impeachment of Dilma Rousseff in 2016. In his first role as secretary for the private partnership and investment ministry (May 2016-February 2017) Franco helped pioneer the so-called 'Bridges to the Future' programme to rebuild trust with the private sector after 13 years of state-run projects under leftist Partido dos Trabalhadores (PT) rule. This

Politicians react to criticism

President Temer claimed the political class had become "devalued" and called on those under investigation to stand up and defend themselves. This as prosecutors announced they would analyse plea bargaining testimonies from 42 people to determine if key members of the ruling MDB asked businesses for bribes to support their campaigns.

Keep calm and carry on

President Temer told his ministers not to feel disheartened.

“The criticism will not make us feel uncomfortable...We will move forward. While people are protesting, the government will continue working,” he said during a meeting with his new team on 10 April.

included opening up the country’s pre-salt reserves by scrapping state-owned oil company Petrobras’ 30% stake. Under his command, the ministry held 72 auctions, raising R\$36bn (US\$10.5bn).

From February to 6 April this year, Franco served as chief minister to the secretary general of the presidency. There, he helped negotiate the government’s federal intervention in the state of Rio de Janeiro. This aimed to improve security by sending in the military but has been widely criticised for human rights violations committed by troops operating in the favelas.

In his latest incarnation as energy and mines minister, Franco has committed to privatising Eletrobras, among other aims. But corruption allegations could hinder his capacity to follow through on this by lowering his political capital and making him less influential in congress.

Like Temer and his chief of staff Eliseu Padilha, Franco is under investigation by prosecutors from ‘Operation Car Wash’ for allegedly soliciting illicit donations from companies to fund the MDB’s political campaign (see page five sidebar). The case almost led to Temer’s impeachment last year but was thrown out by the chamber of deputies.

Over time, the corruption allegations involving Temer and several senior ministers have eroded his government’s popularity. Over 70% of Brazilians disapprove of his administration whereas just 5% approve, according to the latest Ibope poll; which is consistent with disappointing results from previous months.

Ministerial reshuffle		
Ministry	Current	Former
Education	Rossieli Soares da Silva*	Mendonça Filho
Social development	Alberto Beltrame*	Osmar Terra
Finance	Eduardo Guardia*	Henrique Meirelles
Planning	Esteves Colnago*	Dyogo de Oliveira
Energy & mines	Moreira Franco*	Fernando Coelho Filho
Sport	Leandro Cruz Fróes da Silva*	Leonardo Picciani
Health	Gilberto Occhi	Ricardo Barros
Tourism	Vinícius Lummertz*	Marx Beltrão
National integration	Antônio de Pádua de Deus*	Helder Barbalho
Transport, ports and civil aviation	Valter Casimiro Silveira*	Maurício Quintanella
Industry & foreign trade	Marcos Jorge de Lima (interim)*	Marcos Pereira
Human Rights	Gustavo Rocha (interim)	Luislinda Valois
Environment	Edson Duarte (interim, pending)	José Sarney Filho
Labour	Helton Yomura (interim) *	Ronaldo Nogueira resigned in December 2017. The appointment of Cristiane Brasil in January 2018 was overruled by the judiciary before she came to power.
Defence	Joaquim Silva e Luna (interim)	Raul Jungmann
Chief minister to the secretary general of the presidency	Joaquim Lima (interim)	Moreira Franco
Transparency	Wagner Rosário (interim)	Torquato Jardim
Public security	Raul Jungmann	(Newly created post)
* = sworn in on 10 April		

Strikes return to Buenos Aires

Argentine trade unions, civil-society groups, and even small business organisations have renewed their mobilisations in rejection of the 'economic adjustment' being implemented by the government led by President Mauricio Macri. The demonstrations are not overwhelming but they are noisy and suggest that, three years into Macri's current four-year term, public support for the government's economic policies may be waning due to worse-than-expected results. Producing positive results this year is the main political challenge facing Macri and the ruling centre-right Cambiemos coalition if he hopes to win re-election in 2019.

The main public gripe in Argentina remains the high level of inflation and overall cost of living. Macri's Cambiemos government assumed office in December 2015 promising to bring inflation under control and return Argentina to the path of sustainable economic growth. In order to achieve this the Macri government implemented a series of economic reforms, such as the liberalisation of the exchange rate and the reduction of energy sector and public transport subsidies, that it said may initially prove to be painful but that would lead to macroeconomic stability and economic growth in the medium term. However, three years on, GDP may once again be growing but the level of inflation remains well above the 10% a year annual rate that the government promised to deliver. And along with increased public transport and energy tariffs, Argentine workers are continuing to feel the pinch.

Pointedly, the latest inflation figures released by Argentina's national statistics institute (Indec) showed that the monthly inflation rate in March was 2.3%, bringing the cumulative inflation rate for the year to 6.7%. This means that the inflation rate is already at around half the central bank (BCRA) target of 15% for the whole of 2018, which is now unlikely to be met.

Problematically for the government, the Indec has attributed the high inflation to the falling value of the Argentine peso against the US dollar and the increase in public transport fares. The end result of this high cost of living is that local trade unions are once again demanding significant increases during collective salary negotiations.

But with the government having proposed a general ceiling on salary increases of 20%, reaching salary deals has proved elusive. This has led the unions to resort to staggered strikes and demonstrations in support of their salary demands. Teachers' unions in Buenos Aires province have been striking since February but in recent weeks banking sector workers and public transport sector workers have also staged strikes. The Asociación Bancaria banking sector workers' union staged its sixth strike of the year on 17 and 18 April. Meanwhile one Buenos Aires subway workers' union (Agtsyp) began striking on 16 April in rejection of the 15% salary increase recently agreed by the Buenos Aires municipal government with the other subway workers' union (UTA).

The discontent expressed by the unions is shared by local civil society-groups and organisations that represent small and medium-sized enterprise (SMEs), which have been staging demonstrations in the capital in rejection of the public transport and energy tariff increases and the government's general economic policies. The likes of the Confederación de Trabajadores de la Economía Popular (CTEP) and Barrios de Pie have been holding noisy demonstrations outside the federal congress demanding a repeal of the tariff increases and rejecting the government's proposed tax, pensions, and labour reforms.

Fiscal deficit

Argentina's primary fiscal deficit was Ar\$31bn (US\$1.5bn) between January and March this year, and reached 0.3% of GDP, below the 0.6% target, the finance minister, Nicolás Dujovne, said during a press conference in Buenos Aires on 13 April. This was 25% lower than the fiscal deficit recorded over the same time period last year. Dujovne said Argentina was on track to meet its fiscal deficit target of 3.2% of GDP for the whole of 2018.

UCR grumbles

In the clearest example yet of the UCR's discontent with the Macri administration, during a public event on 11 April the party's president, Alfredo Cornejo, heavily criticised the government for failing to deliver on its electoral economic pledges. "After transmitting so much hope and after so much marketing, now they need to give explanations," Cornejo said in allusion to the still high inflation rate and rising utility tariffs. He went on to say that the 2015 Cambiemos electoral campaign had been "populist" but that now reality is starting to bite people were becoming disillusioned. Cornejo said that his party has warned the Macri executive about the growing public dissatisfaction but complained that it is not always "willing to listen" to the UCR.

The demonstrations look set to continue as the Central de Trabajadores de la Argentina (CTA) umbrella trade union has called for a 'pots and pans' demonstration for 18 April and a candlelit vigil for 19 April in Buenos Aires, in rejection of the public transport fares and energy tariff increases.

Political challenge

Seeking to harness this discontent, the political opposition in the national congress is now trying to approve a bill declaring a social emergency and calling for a freeze on all utility tariffs until December 2019. The bill is being promoted by former president and incumbent senator Cristina Fernández (2007-2015), who has expressed her support for demonstrations called by the CTA.

In announcing the bill on 16 April, Fernández said that the "growing concerns by families, retailers, business leaders, industrialists, SMEs, neighbourhood associations, and the general public burdened by the excessive [tariff] increases that they have been suffering for the past two years in a context of rising inflation and a fall in consumption", justify the call for a tariff freeze. Compounding the political pressure on the Macri executive, some within the Cambiemos coalition are now also starting to question economic policy.

National deputy Elisa Carrió, the leader of the Coalición Cívica-Afirmación para una República Igualitaria (CC-ARI) party, a Cambiemos member, has called for the Macri government to clarify the criteria and formula used to come up with its utility tariff schedule. The outspoken Carrió complained that the successive tariff increases were harming the general public and only benefiting firms in the energy sector, which have seen an increase in revenue. Carrió's call has been backed by the Unión Cívica Radical (UCR), the senior partner in Cambiemos, which is becoming increasingly restless with the Macri government (*see sidebar*).

BRAZIL | POLITICS

Countdown until elections

With six months to go, there is still no clear favourite to win Brazil's presidential elections. Even after being jailed, former president Lula da Silva (2003-2011) still leads opinion polls with 31% of voter intentions, but he is unlikely to be able to run. Without him, the two strongest contenders would be environmentalist Marina Silva from Rede Sustentabilidade (Rede) and ultra-right candidate Jair Bolsonaro from the Partido Social Liberal (PSL), according to a poll published by DataFolha on 15 April.

In the latest DataFolha electoral opinion poll, the imprisoned leader of the leftist Partido dos Trabalhadores (PT) saw his support fall by six percentage points from 37% in January to 31%. Lula has no single successor who can inherit his share of the vote, leaving the race for the presidential elections in October wide open.

According to projections from DataFolha, if Lula is unable to run, Marina Silva and Bolsonaro would be technically tied in first place, with 17% and 15% of voting intentions respectively. The positive poll result for Bolsonaro comes even after Brazil's federal attorney general's office (PGR) formally accused him of racism.

Perhaps the biggest surprise in the latest poll, however, was a surge in support for former supreme court (STF) judge Joaquim Barbosa, whose voting intentions have almost doubled since January. Seen as a centrist

Inequality

The Gini coefficient stood at 0.524 in 2017, down from 0.525 in 2016. Monthly household income per capita remained unchanged during this period at 0.549. A Gini coefficient of 0 expresses perfect equality, where all would have the same income; a Gini coefficient of 1 expresses maximal inequality.

contender, Barbosa is being courted as a coalition partner from parties of all different political stripes. Barbosa's strong personal story as the son of a bricklayer and housewife who rose to become one of Brazil's top lawyers, coupled with his zero-tolerance stance on corruption, have made him a strong contender in the current political climate.

Barbosa is currently polling just below the 10% mark, along with leftist contender Ciro Gomes from the Partido Democrático Trabalhista (PDT), who has 9%, and centre-right candidate Geraldo Alckmin from the Partido da Social Democracia Brasileira (PSDB) with 8%.

TRACKING TRENDS

BRAZIL | Indigence increasing. Extreme poverty increased by 11.2% from 2016 to 2017 to 14.8m, according to a report published by Brazil's national statistics institute (Ibge) on 11 April. During that 12-month period, over 1.5m people slipped into extreme poverty. The Ibge defines extreme poverty as those living under the threshold of R\$136 (US\$39) per month or R\$1.9 per day (US\$0.55).

Brazil technically returned to growth in the last quarter of 2017 following a two-year recession. But the increased poverty rates show the economic recovery has not been felt equally by all sectors of society. Job losses could exacerbate the problem. Last year, unemployment reached 12.7%, leaving over 13.2m out of work in the worst result recorded since 2012.

Huge disparities in income have also worsened inequality. In Brazil, the top 1% have a salary which is 36 times greater than the average received by the bottom half of the population, according to Ibge.

To put that figure into context, on a global scale, the richest 1% have 20 times the income of the bottom half of the population, according to a study by French economist Thomas Piketty published in 2017 on behalf of the World Inequality Lab.

URUGUAY | Tourism up. On 16 April, Uruguay's tourism ministry released a new report which showed that tourism contributed US\$1bn to the national economy in the first quarter of 2018, a 1.1% increase from the same period in 2017. According to the same report, 1.5m tourists visited Uruguay in the first three months of this year, up 10.2% on the same quarter of last year (1.3m).

According to the same report there were 1.16m tourists from Argentina, up 10.9% on the same period in 2017, followed by 23,411 Chilean tourists, down 18% on the same period in 2017. There were 10,779 Paraguayan tourists, down 31% on the same period in 2017, and 137,137 Brazilian nationals, a similar amount to 2017.

As regards tourist destinations, the most visited site was the resort city of Punta del Este (attracting 385,329 tourists) followed by the capital, Montevideo (249,482), and the tourist destinations on the thermal corridor Litoral Termal (161,237).

ARGENTINA | Malbec week. Argentina's agriculture minister Luis Miguel Etchevehere revealed this week that Argentina's Malbec red wine accounts for 62% of the country's total wine exports. In 2017, the biggest importers of Argentine Malbec (calculated as a percentage of the total amount spent in US\$) were the US (33.7%), the UK (12.7%), Canada (8.7%), and Brazil (6.7%).

The figures were celebrated during the 'Malbec Week' inauguration in Buenos Aires on 16 April, a week-long event that promotes Malbec wine. A press release by the agriculture ministry highlights an initiative in place in Mendoza city, Cuyo region (the heart of Argentine wine country and Malbec production), which aims to change the current grape variety to Malbec, with 220 soft loans worth approximately Ar\$300,000 (US\$14,885) for vineyard conversion efforts. According to the agriculture ministry, 40,401 hectares (ha) are currently dedicated to Malbec production in Argentina.

New airport takes centre stage in campaign

Days before the first presidential debate takes place on 22 April, the frontrunner in the race, Andrés Manuel López Obrador, has been drawn into a separate debate with a different protagonist. Mexican business magnate Carlos Slim, normally wary about entering the political fray, expressed his conviction that discontinuing construction of Mexico's new international airport (NAIM) would be a serious mistake. Slim did not mention names, but López Obrador stands alone among the presidential candidates in advocating scrapping the M\$186bn (US\$10.34bn) project. This quickly became the news story of the week in Mexico with López Obrador claiming that Slim had been put up to it by President Enrique Peña Nieto, who championed the project when he took office in 2012.

It is over a year since Slim, who rarely grants interviews, made a media splash for making public comments, and that was after calling for national unity in the wake of US President Donald Trump taking office. Slim's latest foray into politics was more controversial. In a packed press conference on 16 April, he warned that halting the construction of the NAIM would be a major setback for economic growth in Mexico.

"In my life, I have never before seen a project that would have so much economic impact," Slim said. "The only thing I can compare it to is the Panama Canal. The most important thing is that it is not just in the city but an area of the city where there is most poverty," he added. The NAIM will be located in the municipality of Texcoco, a downtrodden area of the Estado de México (Edomex), just 10km from the current international airport of Mexico City (AICM).

The AICM has a capacity of 32m passengers a year and has reached saturation point, with constant delays incurred despite the construction in 2007 of a second terminal, which was only ever intended as a stopgap measure. The NAIM would have six runways and would quadruple the capacity of the AICM, with a huge handling capacity of 125m passengers a year when fully operational, making it the largest airport in Latin America and the third largest in the world. It would also create up to 160,000 jobs during the construction period. After the first phase of construction, which is scheduled for completion in October 2020, three parallel runways would enter operation, allowing for a capacity of 68m passengers a year.

Slim argued that the AICM had been "insufficient" since the 1990s. "What Mexico needs is investment, investment, and more investment. Without this there is no chance of progress or better salaries. And this is a great investment," Slim said. Within an hour López Obrador had responded, saying that Slim was entitled to his opinion but the project was too expensive. López Obrador added that if Slim wanted it to go ahead he should use his own money.

Writing on his Facebook account, López Obrador claimed that alleged irregularities in the contracts awarded for the project had helped turn it into "a bottomless pit". He also claimed that the site of the NAIM was "gradually sinking". The presidential candidate of the left-wing Movimiento Regeneración Nacional (Morena) said that, if elected, his government would opt instead to expand the military airbase of Santa Lucía, also in Edomex, but 50km north of the capital, adding two more runways. He said this alternative would save US\$8.9bn.

Importance of NAIM to future growth

The communications and transport minister, Gerardo Ruiz Esparza, said that if the project to build the new international airport was scrapped it would "stop Mexico growing like an international country in tourism, business, and trade".

Sinking

Mexico's tourism minister, Enrique de la Madrid, picked up on the point that the new international airport was being constructed on sinking ground. He accused Andrés Manuel López Obrador of misleading voters by claiming that the Texcoco lake zone is sinking by one metre per year. De la Madrid said that some parts of the Mexican capital were sinking by 40cm a year, according to specialists, and the AICM by between 20cm and 24cm.

Slim said that while López Obrador's counterproposal had been "thought through", it was only "a stopgap solution". Slim added that it would not bring development to an impoverished area and it would take tourists an hour to get into the capital city from Santa Lucía. Slim dismissed the argument that the land on which the NAIM would be sited is sinking. "Of course, it is sinking, as everything else is sinking," he said (*see sidebar*).

Slim also claimed he was not motivated to speak out in favour of the NAIM by personal interest. Slim's industrial group Grupo Carso forms part of a seven-strong consortium that won the bidding to construct the terminal building. But Slim claimed that the project was only worth 4% of the earnings of the construction arm of his empire.

Meanwhile, the presidential spokesman, Eduardo Sánchez, denounced as "fake news" López Obrador's claim that the government had approached Slim to speak out on the matter. Sánchez insisted that Peña Nieto had not even spoken to Slim let alone urged him to defend the NAIM. When Slim was pressed for his personal opinion on López Obrador, he confined himself to saying that halting the NAIM project would concern him because of "everything else that might follow".

The president of Mexico's Consejo Coordinador Empresarial (CCE) business lobby, Juan Pablo Castañón, backed up Slim, pulling out of a dialogue table with López Obrador over the NAIM on the grounds that "he doesn't listen". An opinion poll by the national daily *El Universal* showed that 56% of respondents backed Slim and 38% López Obrador over the NAIM. But there is no sign yet of the issue having an electoral impact. A survey by another daily, *Reforma*, released on 18 April, gave López Obrador 48% of voter intentions, up six percentage points on the previous poll in February, and well ahead of his main rivals Ricardo Anaya and José Antonio Meade with 26% and 18% respectively.

MEXICO | POLITICS

CNTE takes stance against Meade

Mexico's combative Coordinadora Nacional de Trabajadores de la Educación (CNTE) teachers' union has made plain its feelings about José Antonio Meade, the presidential candidate of the ruling Partido Revolucionario Institucional (PRI). CNTE members clashed with Meade supporters as they demonstrated against the PRI candidate during a campaign rally in the south-western state of Oaxaca. The CNTE says that it is opposed to Meade because as a former PRI government official he helped to push through the 2012-2013 education reform that the union continues to resist and wants to see repealed. But Meade has accused the CNTE of using violence to intimidate his supporters and of acting on behalf of Andrés Manuel López Obrador, the presidential candidate of the left-wing opposition Movimiento Regeneración Nacional (Morena).

Meade continues to trail in third place in opinion polls ahead of July's presidential elections behind frontrunner López Obrador and Ricardo Anaya, the presidential candidate of the Right-Left coalition Por México al Frente. As such, Meade has been looking to step up his campaign, holding campaign rallies around the country to drum up support. As part of these efforts, Meade visited Oaxaca over the weekend (14-15 April). Mexico's impoverished south is a leftist support base. It also happens to be one of the strongholds of the CNTE, where the union has continued to stage disruptive protests against the implementation of the education reform. So, Meade's presence in Oaxaca was not well received by the teachers' union and the CNTE was determined to send this message to the PRI candidate.

López Obrador stays above the fray

Despite the pointed accusations made against him by José Antonio Meade over the violent clashes in Puerto Escondido, Andrés Manuel López Obrador has so far chosen not to directly respond to them. Meade has called on López Obrador to disassociate himself publicly from the violent acts carried out by the CNTE and condemn all forms of political violence. But while López Obrador lamented the violent episodes, he refused to blame the CNTE or deny having any links to the union. Instead López Obrador insinuated that Meade's accusations were part of his efforts to revive his campaign.

The CNTE's plan was to stage a large anti-PRI demonstration during the 14 April campaign rally that Meade had organised in the municipality of Puerto Escondido. However, the presence of the CNTE demonstrators quickly led to violent clashes with PRI sympathisers. According to local press reports, the two sides hurled rocks, bottles, and sticks at each other. The confrontation did not last long but it did leave a few people injured and forced Meade to cut short his rally. Afterwards, Meade took to *Twitter* to condemn the violence. "Not content with torpedoing the education of our children and young people they [the CNTE] resort to violence...let's not forget that they are allies of López Obrador," Meade said.

Meade was backed by the PRI, which issued its own statement condemning the violence by the CNTE. It also accused López Obrador of fomenting the CNTE violence and called on the authorities to open an investigation into the incident. The CNTE rejected all the accusations levelled against it. The union said that it did not start the violence in Puerto Escondido and that its members were the ones that were attacked by Meade's supporters and were forced to retaliate. They also denied acting on López Obrador's orders or having any links to Morena. But the union said that it remains opposed to Meade's election and that it will stage more demonstrations against him in Oaxaca and any other state in which it has a strong presence that he visits.

In fact, the CNTE leadership said that the union will launch a new campaign promoting a 'punishment vote' against the PRI and all the parties that supported the education reform. This includes the right-wing opposition Partido Acción Nacional (PAN) and the leftist Partido de la Revolución Democrática (PRD) – the main members of the Por México al Frente coalition – but not Morena. Notably, López Obrador has been critical of the education reform for failing to secure the support of all teachers; and he has vowed to review the reform in consultation with the likes of the CNTE if elected.

TRACKING TRENDS

MEXICO | New special economic zones. President Enrique Peña Nieto signed a decree on 17 April creating two new special economic zones (ZEEs) in the south-eastern states of Campeche and Tabasco. In 2016, the Peña Nieto administration introduced the ZEEs, which offer fiscal and other benefits to firms that set up operations in these areas, as a way to encourage investments and prosperity in some of Mexico's less economically developed southern areas.

Until now the Peña Nieto government had created five ZEEs but these are the first to be located in the Yucatán Peninsula. Peña Nieto presented the decree during a ceremony in the Campeche port city of Seybaplaya, where he also announced the opening of a M\$50bn (US\$2.77bn) credit line with Mexico's development banks available to private companies that plan to invest in the seven ZEEs. Peña Nieto said that access to the credit line will be made available via the 'Ventanilla Única' electronic one-stop shop support centre set up to "facilitate and simplify information flows between business and government".

During the event, Peña Nieto also inaugurated the modernised Seybaplaya port and the new Hobomó aqueduct. The aqueduct is expected to guarantee clean drinking water to Campeche's eponymous state capital for the next 30 years.

Peña Nieto emphasised that the two new ZEEs would help to counteract the negative economic impact that the fall in international oil prices in recent years has had on the oil industry in the states of Campeche and Tabasco, where it is one of the main economic activities, and the significant loss of jobs and economic dynamism. However, Peña Nieto said that the ZEEs would help to attract investment and diversify the local economies in these states. Campeche Governor Alejandro Moreno Cárdenas applauded the creation of the new ZEEs, claiming Campeche would become one of the most "important" states in Mexico.

Nasralla pulls out of dialogue

Hopes that the United Nations-brokered dialogue would produce a solution to the post-electoral crisis in Honduras following last November's presidential election [[WR-18-11](#)] have proven short-lived. Last week Salvador Nasralla, the former presidential candidate for the Alianza de Oposición contra la Dictadura (Alianza Opositora) opposition coalition who maintains that he won the election (which produced a victory for President Juan Orlando Hernández), announced the withdrawal of his representatives from the technical pre-dialogue table. With the Alianza Opositora having since announced 'permanent insurrection' and more than a dozen days of protest this year, there would seem to be no end in sight to the crisis.

In a 10 April press release, Nasralla cited as grounds for his decision, the ruling Partido Nacional's refusal to accept an international mediator and legally binding agreement. Having underlined that the talks were a pre-dialogue and his participation was conditional on certain guarantees – notably that the talks would be binding – Nasralla said he had discerned “no political will” on the part of the Hernández government to resolve the crisis which stems from claims that widespread fraud took place. A survey by a local think-tank, Equipo de Investigación y Comunicación (ERIC-SJ), published in the media the same day, suggests that Nasralla's claims regarding the fraud have public support. The ERIC-SJ poll cited 60% of respondents as saying that they believed that electoral fraud had taken place, while 55.7% believed Nasralla had won the election.

Since his withdrawal from the negotiations, Nasralla would seem to have patched up his differences with the ejected former president Manuel Zelaya (2006-2009), the Alianza Opositora's general coordinator, who had refused to attend the talks, maintaining the only solution to the crisis was for Hernández to quit. On 15 April Nasralla attended an 'extraordinary meeting' of the Alianza Opositora, called by Zelaya, at which those present pledged to continue “insurrection” against Hernández's victory, approved 15 dates during the year to stage unrest, and approved the creation of “insurreccional commands”.

Bar saying that these would use “non-violent methods”, Zelaya has yet to provide further details as to what these “insurreccional commands” are. In any case, this threat of unrest is likely to fan international fears of further violence: in a report issued on 12 March, the UN Office of the High Commissioner for Human Rights (OHCHR) in Honduras stated that, as of 27 January (the day Hernández was sworn-in for a second term), it had registered at least 23 deaths in post-electoral protests.

CSJ accepts appeal against Maccih

As well as uncertainty over the talks, doubts have emerged about the future of the Organization of American States-sponsored Mission for Support against Corruption and Impunity in Honduras (Maccih). This follows the 20 March decision by the supreme court's constitutional chamber to accept an appeal accusing Maccih of overstepping its mandate after it called for five former deputies to be arrested last year, accusing them of syphoning off public funds for personal use.

The same appeal argues that former Maccih head Juan Jiménez Mayor (who quit in February citing differences with OAS Secretary General Luis Almagro and an absence of support from the OAS [[WR-18-07](#)]) defamed them, breaching the principle of innocent until proven guilty, depriving

US concern

In a statement released on 21 March, the US embassy in Tegucigalpa highlighted that anti-corruption work in Honduras “is a fundamental element of US support in the region”. It added: “We remain dedicated to assisting the MACCIH, CAN [national anti-corruption council], Ministerio Publico [AG], and other organizations fighting corruption and impunity”.

Endorsement

A joint declaration on 28 March by Colectivo Región Norte, which groups indigenous Maya, Xinka, and Garífuna communities from both countries, came out in opposition to the referendum claiming that it does not take into account the rights of their people. The joint declaration argues that the disputed territory belonged to them first, and Guatemala and Belize are continuing the legacy of colonial oppression from Spain and Britain. It consequently called for abstention or a “no” vote on the referendum in protest.

them of a fair trial. Since shelved by a judge, the case was hailed as the first fruit of collaboration between Maccih, which began operations in April 2016, and the new special unit against corruption and impunity (Ufecic), an elite unit attached to the attorney general’s office (AG) which started operations in September 2017. The CSJ’s acceptance of the appeal has attracted concern from civil-society groups such as Asociación para una Sociedad más Justa (ASJ), the local chapter of NGO Transparency International (TI), and the US embassy (*see sidebar*).

Encouraging IMF visit.

Despite the political difficulties faced by Honduras, the economy is performing reasonably well. An International Monetary Fund (IMF) mission visited Tegucigalpa between 3 and 12 April to conduct the 2018 Article IV consultation. A statement released at the conclusion of the visit notes that in 2017 Honduras’s economic performance was “better than expected”. According to the statement, real GDP grew by 4.8% “supported by good harvests, strong public investment, and robust private consumption growth amid record remittances inflows”. These inflows, together with stronger performance in coffee exports, also led to further compression in the external current account deficit to 1.75% of GDP.

Net international reserves increased by US\$883m, boosted by a US\$700m external bond issuance, leading to reserve coverage of 5.3 months of non-maquila imports of goods and services. Meanwhile, headline inflation accelerated to 4.75% still within the $4 \pm 1\%$ tolerance band.

However, the same press release forecasts that this year economic growth is projected to moderate to 3.75% “reflecting lingering political uncertainty and worsening external conditions”. Nevertheless, the international reserves are expected to remain adequate with the nonfinancial public sector (NFPS) deficit forecast to remain at 0.75% of GDP, the same as in 2017 and below the ceiling set by the Fiscal Responsibility Law.

GUATEMALA-BELIZE | DIPLOMACY

One step closer to resolving longstanding dispute?

Guatemala has voted overwhelmingly to ask the International Court of Justice (ICJ) at The Hague to rule on the country’s long-running territorial dispute with Belize. The vote, which took place on 15 April, was in line with a 2008 agreement whereby both countries agreed to submit the dispute to the ICJ for resolution, pending approval from both sides through a referendum with a simple majority. With Belmopan having since issued a statement congratulating the Guatemalan government for holding the vote, doubts persist as to whether Belize will similarly approve the move.

With 96.64% of votes counted, the result was 95.84% in favour of asking the ICJ to rule. While the vote in favour was not a surprise, turnout (25.25%) was higher than expected for a popular referendum given traditionally high abstention for such votes. Indeed, the president of the electoral authorities (TSE), María Eugenia Mijangos, was quick to point out that the most recent (1999) popular referendum (on whether to approve constitutional reforms drawn up to implement some key agreements reached in the 1996 Peace Accords) saw participation of just 18.55%. There was a participation rate of just 15.88% for a 1994 referendum on whether to reduce parliamentary terms.

The (comparatively high) turnout signified a rare political victory for President Jimmy Morales who had ramped up the rhetoric against Belize in his 2015 presidential campaign, pledging to take action on the dispute which dates back more than 150 years (*see box*). Since his conservative Frente de Convergencia Nacional (FCN-Nación) government took office in January 2016, there has been a revival of tensions – not least in April 2016 when a

Dominican tourism

The number of tourists visiting the Dominican Republic in the first quarter of 2018 totalled 1.7m, up by 7.7% year-on-year, according to the Dominican Annual Tourism Exchange (DATE). The president of the Asociación de Hoteles y Turismo de República Dominicana (Asonahores), Joel Santos, said that occupancy rates stood at 85.7% over the quarter. The number of tourists visiting in March was up by 14.7% year-on-year, setting a new record, according to the tourism ministry.

Guatemalan minor was shot dead on Belizean territory in an incident reportedly involving the Belize Defence Force (BDF) [WR-16-16]. This led Morales to send in troops and recall the Guatemalan ambassador from Belize.

The result in Guatemala has shifted the focus now to the Belizean government led by Prime Minister Dean Barrow. The UK and European Union (EU) have since urged the Belize government to hold the referendum as soon as possible, but a date has yet to be set. In its response to the Guatemala vote, the Barrow government omitted mention of a future date, beyond stating that it will take place “after the national re-registration exercise has produced a new and robust electoral roll” – a process which the government has previously said would take place in July 2018.

Dispute

The dispute is over Guatemala’s claim to more than 12,772km² of adjacent land and sea stretching from south of Sibun up to the Sarstoon River and including many of its coastal cayes. Having recognised Belize in a treaty signed with Great Britain in 1859, Guatemala – which gained independence from Spain in 1821 – declared in 1946 that the treaty was void due to Britain’s failure to fulfil various obligations to provide economic assistance.

In 1995 the two countries then embarked upon a dialogue process with the mediation of the Organization of American States (OAS), although the negotiations failed to yield much progress until the 2008 agreement to stage the referendum.

Some previously considered oil to be one motive behind Guatemala’s efforts to revive the dispute given that the territory in question includes Belize’s two commercial oil fields in Cayo department – the first of which was discovered in 2005, becoming Belize’s first commercial oil field. However, production has substantially dropped in recent years, due in part to natural barriers such as the existence of natural rock formations. The decision by the Barrow government in January 2018 to ban offshore drilling in order to protect the Belize Barrier Reef is a further obstacle to future oil exploration efforts.

TRACKING TRENDS

EL SALVADOR | **‘Plan 10’**. The government led by President Salvador Sánchez Cerén has launched an initiative dubbed ‘Plan 10’ for the 10 months leading up to the holding of presidential elections in February 2019. The plan aims to revise utility subsidies, including water, electricity and gas, which had been cut by the government, and provide more resources to hospitals to improve the provision of medication.

The latest initiative is motivated by the heavy defeat suffered by the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) in legislative elections last month, and the growing fear that it will be turfed out of government next February after 10 years in power.

NICARAGUA | **Reforestation plan**. On 13 April, the Frente Sandinista de Liberación Nacional (FSLN) government led by President Daniel Ortega launched a new national reforestation plan which would increase the amount of forest land by 200% of the target for 2017 (albeit without specifying what this was).

The government’s announcement follows a wildfire which began earlier this month in the Indio Maíz biological reserve on Nicaragua’s Caribbean coast which has devastated more than 3,585 hectares (ha) of land. The fire, which is now under control following help from Honduras, El Salvador, Panama, the US, and Mexico, also prompted the environment & natural resources ministry (Marena) on 11 April to declare it illegal to start forest fires for farming purposes.

According to Global Forest Watch, an initiative of the World Resources Institute, between 2001 and 2016 Nicaragua lost 1.11m hectares of tree cover, a loss that is equal to 14.3% of the area’s tree cover extent in 2000.

Quotes of the week

“The greatest corruption of government is when the people lose their voice, their vote, their freedom, and their basic human rights under the heavy hand of dictatorship.”

US Vice President Mike Pence conflates the two main issues discussed at the Summit of the Americas: corruption and Venezuela.

“The US is not a moral reference point for Latin America. In the last 100 years, all the despotic governments in the region have been imposed or supported by the US, including the cruellest military dictatorships.”

Cuba's foreign minister Bruno Rodríguez.

“It is not a car that is being bought; it cannot be seen only in terms of the investment being made, but also the effects the investment will have.”

Mexican business tycoon Carlos Slim on the country's planned new international airport.

POSTSCRIPT

Could the Dominican Republic be the next to fall?

The Dominican domino could be the next to drop in the Caribbean after Costa Rica and Panama switched allegiance from Taiwan to China in recent years. Last week the president of the Dominican Republic, Danilo Medina, inaugurated an aluminium manufacturing plant with the operations director of Chinese firm Kingtom Aluminio SRL, Zheng Qinquin. It becomes the first Chinese manufacturing firm to set up in the country, which is one of only 20 yet to embrace Beijing's 'One China' policy and is now the jewel in the crown for Taiwan, as its most important ally in terms of GDP.

The Chinese company will invest some RD\$530m (US\$10.8m) in the plant, which will be located to the Rio Sur industrial duty free zone, in the municipality of Guerra in the province of Santo Domingo, and provide 400 direct and 1,000 indirect jobs. The executive director of the Consejo Nacional de Zonas Francas de Exportación (Cnzfe), Luisa Fernández, said it “marks an important milestone”.

Medina said it would acquire scrap aluminium in the domestic market and recycle it. Zheng said the plant would take advantage of the free zone and the DR-Cafta trade deal with the US. He said it aimed to reduce the Dominican deficit with the US as 100% of production would be exported there. Production would reach 25 tonnes a day at maximum capacity, he said.

Three other Chinese companies are awaiting permits to invest a further US\$870m in electricity and construction projects in the Dominican Republic, according to the Chinese commercial representative in the country, Fu Xinrong. This includes an electricity generator, using biomass and natural gas, for around US\$300m; a multifunctional hydraulic project on the Yuna River for US\$350m; and a project to construct 10,000 low cost homes for some US\$220m. Fu also said that more Chinese manufacturing firms transforming primary materials would reduce the need for the country to import products to supply the local market.

“Trade between the two countries has reached US\$2.3bn,” Fu said, adding that investment would increase dramatically with diplomatic relations in place. The Taiwanese opposition expressed concern last September that the Dominican Republic could be weakening in the face of Chinese importuning.

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