

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Senior Policy Advisor
Akin Gump Strauss Hauer & Feld, LLP

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter

Former Partner,
E.M. Warburg Pincus

Dirk Donath

Senior Partner,
Catterton Aimara

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Chairman, ManattJones
Global Strategies

Craig A. Kelly

Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

José Antonio Ríos

Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

What Is to Blame for Suriname's Economic Woes?



Suriname's president, Dési Bouterse, is facing an economic contraction amid the drop in global commodity prices and a local currency that has fallen against the dollar. // File Photo: Government of Suriname.

Q Suriname is a "nation in crisis," said a Sept. 20 Associated Press report, which likened the country's economic woes to those of nearby Venezuela. The World Bank says Suriname has the world's third-highest inflation rate, and the IMF projects a contraction of the country's economy this year. Hospitals and pharmacies say they lack the supplies to treat patients. How will the crisis affect the country's leadership, including controversial President Dési Bouterse? What conditions led to Suriname's economic troubles? Why have there been few widespread protests in Suriname as have occurred in Venezuela? What should Suriname, which is heavily dependent on exports of oil and gold, do to solve its economic crisis?

A Joshua Charap, IMF resident representative in Suriname: "For 2016, we project a contraction of 7 percent and inflation of 77 percent. Foreign reserves are perilously low, reflecting the drop in commodity export prices, the closure of alumina production, fiscal and external current account deficits, and central bank intervention. In May, the authorities requested a Stand-By Arrangement (SBA) with the International Monetary Fund to smooth the ongoing adjustment, restore confidence, and pave the way to economic recovery. Performance under the program has been mixed, and restoring macroeconomic stability, as envisaged under the program, will require great efforts from the Surinamese authorities as well as society as a whole. Significant increases in fuel taxes and electricity tariffs are critical to improve the fiscal situation and should be accompanied by social spending to protect the poor from the effects of those increases. Supporting a rise in local

Continued on page 3

TODAY'S NEWS

POLITICAL

Judge Rejects El Chapo's Appeals Against Extradition

The leader of Mexico's Sinaloa drug cartel is now a step closer to being extradited to the United States, which could happen early next year.

Page 2

BUSINESS

Prosecutors Charge 26 in Deadly Brazil Dam Collapse

Among those charged are employees of BHP Billiton, Vale and engineering company VOGBR Recursos Hídricos e Geotécnica.

Page 3

POLITICAL

Venezuela's Electoral Council Suspends Recall Campaign

The electoral council said it was responding to court rulings that there was fraud in a petition drive in favor of a referendum on recalling President Nicolás Maduro.

Page 3



Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuela's Electoral Council Halts Recall Campaign

Venezuela's electoral authority on Thursday suspended the opposition's campaign to call a recall referendum against President Nicolás Maduro, the Associated Press reported. The National Electoral Council made the decision, which opposition leaders condemned, alleging there was fraud in a preliminary signature-gathering effort by Maduro's opponents.



The government today is pushing toward a very dangerous scenario."

— Henrique Capriles

The electoral council said it was responding to rulings earlier in the day by courts in four states that there was fraud in the petition drive. "In adherence with the Constitution, the National Electoral Council abides by the decisions ordered by the tribunals and has sent instructions to postpone the process of signature gathering until new judicial instructions are known," the electoral council said in a statement, the AP reported. Opposition leaders quickly blasted the electoral council's move. "We alert the diplomatic corps in our country that the government today is pushing toward a very dangerous scenario," former presidential candidate Henrique Capriles said in a tweet. Capriles said he and seven other opposition leaders, including Democratic Unity Roundtable head Jesús Torrealba, received court orders barring them from leaving the country, BBC News reported. The electoral council's decision was the latest in a string of setbacks this week for the opposition. On Monday, Venezuela's Supreme Court ruled that Maduro's opponents would have to collect signatures of 20 percent of the electorate in each state, rather than 20

percent of the entire electorate, in order to proceed with their effort to hold a recall vote. Then on Tuesday, the electoral council announced it was delaying the country's gubernatorial elections, which had been planned for December, until the middle of next year. Polls have shown that Maduro would likely lose a recall referendum and that ruling party members would fare poorly in gubernatorial elections. The rulings have happened against a backdrop of severe economic problems in Venezuela, including a deep recession, shortages of food, medicine and other basic goods and an inflation rate that is expected to surpass 700 percent this year.

Judge Rejects El Chapo's Appeals Against Extradition

A federal judge in Mexico has rejected five appeals from Joaquín "El Chapo" Guzmán, putting the drug lord closer to extradition to the United States, the Associated Press reported Thursday, citing Mexico's attorney general's office. Guzmán, who is wanted in the United States on drug trafficking and other charges, could be extradited as early as January or Feb-



Guzmán // File Photo: Mexican Government.

ruary, Mexico's national security commissioner said last week. Guzmán, the leader of Mexico's Sinaloa drug cartel, has escaped from prison twice, most recently in 2015, before being recaptured in January. He is currently being held in a maximum-security prison in the northern border city of Ciudad Juárez. Guzmán's lawyers said Thursday that they will continue fighting against the drug lord's extradition and will appeal to a higher court. One of his attorneys, Andrés Granados, said he would seek a hearing

NEWS BRIEFS

Killings of Honduran Activists Draw Condemnation

The killings of two activists in Honduras have drawn international condemnation, including from the U.S. ambassador to Honduras and Amnesty International's director for the Americas, BBC News reported. José Ángel Flores and Silmer Dionisio George were fatally shot Tuesday in the northeastern city of Tocoa. They were members of Muca, which fights for land it says was illegally taken from farmers and given to multinational companies.

Some Proposed Peace Deal Changes 'Inviably': Santos

Some of the proposed changes to a peace deal reached with Colombia's Revolutionary Armed Forces of Colombia rebels put forth this week by the country's opposition are "inviably," President Juan Manuel Santos said on Thursday, Reuters reported. Santos added that some of modifications are "reasonable," however. Opponents of the deal, led by former President Álvaro Uribe, have argued that transitional justice procedures do not punish the FARC enough for human rights violations.

British Airways Adding Flights to Jamaica

British Airways is increasing service to Kingston, Jamaica, by adding a fourth weekly flight, the Jamaica Gleaner reported Thursday. The expanded service, which will begin next summer, is aimed at meeting rising demand for both business and leisure travel, an airline representative said. With the price of oil hovering at just under \$50 per barrel, airline ticket prices have become cheaper, and a wobbly Jamaican dollar has meant lower costs for European tourists on the island, Stephen Vasciannie, the former ambassador of Jamaica to the United States, told the [Advisor](#) last month.

before Mexico's Supreme Court and also may take the case to the Inter-American Commission on Human Rights. "We're not defeated," he told Agence France-Presse. Mexico's foreign ministry signed off on Guzmán's extradition in May after the U.S. government guaranteed that prosecutors would not seek the death penalty.

ECONOMIC NEWS

Argentina's Foreign Currency Reserves Surpass \$40 Billion

Argentina's central bank president on Thursday said a milestone in investor confidence was reached as foreign currency reserves rose above \$40 billion for the first time in more than three years, Reuters reported. The figure marked a 63 percent rise from \$24.9 billion in reserves last December when President Mauricio Macri took office. "I have insisted that the level of reserves is not very relevant. But the fact that they've risen above \$40 billion says something about growing confidence in the country," Federico Sturzenegger, the president of the central bank, said on Twitter. Macri's administration has been trying to roll back heterodox economic policies and return to international debt markets. However, Macri faces an "ugly economic dilemma," Bloomberg View columnist Mac Margolis wrote last week: adjusting a decade of failed expansive fiscal policies without shredding the nation's already meager safety net.

BUSINESS NEWS

Brazilian Prosecutors Charge 26 in Deadly Dam Collapse

Brazil's Federal Prosecutor's Office on Thursday charged 26 people for their alleged roles in the Samarco dam collapse last year that left 19

FEATURED Q&A / Continued from page 1

currency interest rates to positive levels in real terms is essential for bringing down inflation and restoring macroeconomic stability. We welcome the authorities' commitment to economic reform, as was reiterated in the President's State of the Nation speech on Sept. 30. We maintain an open dialogue with the authorities and will continue to work with them on policies to restore macroeconomic stability."

A **Anthony T. Bryan, professor at the Institute of International Relations at the University of the West Indies in St. Augustine, Trinidad:** "Suriname's economy has always been characterized by cyclical boom and bust. The country is in recession in 2016 because of falling hydrocarbon and mineral prices and the end of an international commodity boom. Suriname is unable to implement countercyclical policies during recessionary periods because it lacks macroeconomic diversity. Short and medium-term growth will be influenced by two main factors: the IMF Stand-By Arrangement, which runs for 24 months from May 2016, and a possible recovery in the extractive industries. A sustainable path for the economy can be pursued with expenditure-reducing measures to compensate for low commodity prices. Public-private partnerships in large scale projects in the mining sector (especially gold production) should be pursued,

people dead and caused the worst ecological disaster in the South American nation's history, Reuters reported. Twenty-one of the executives will be tried for qualified homicide. "These people were murdered," Eduardo Santos de Oliveira, one of the prosecutors in the case, said of those who died. Authorities allege company employees knew the dam could fail but prioritized profits over safety. Eight are employees of Australia-based BHP Billiton, while the rest are employed by Brazil's Vale and Brazilian engineering company VOGBR Recursos Hidricos e Geotecnica, which certified the dam's safety. "BHP Billiton Brasil rejects

although overall economic growth tied to the fortunes of the extractive sector is risky. Furthermore, the restrictive business operating environment does not encourage private sector growth. In the long term, the oil industry,

“ Suriname's economy has always been characterized by cyclical boom and bust.”

— Anthony T. Bryan

with major onshore and offshore exploration programs underway, has the potential to lift the economy. Politically, there is a moderate risk of civil unrest if IMF-mandated austerity policies trigger popular discontent. But the National Democratic Party (NDP) has a very clear mandate to govern. The controversial President Bouterse is able to hold power in a political environment that reflects a continuing mix of democratic form and autocratic substance based on extensive political patronage. The opposition is weak. The V7 bloc, which won 18 seats in the 2015 elections, has already splintered. As long as the NDP coalition can be maintained, and Bouterse remains as president, the political environment will be stable.”

Continued on page 4

outright the charges,” the company said in a statement on its Web site. BHP has booked more than \$2 billion in costs related to the incident, but protesters this week who gathered outside the company's annual shareholder meeting in London complained that financial support had not reached people affected by the disaster, The Guardian reported. "As fast as we were, and as effective as the group has been, you miss some things," said BHP chairman Jac Nasser, who announced his impending retirement on Thursday, about the company's recovery efforts. "We know that we have more to do."

FEATURED Q&A / Continued from page 3

Aleksandr V. Gevorkyan, assistant professor of economics at St. John's University in Queens, N.Y.: "Suriname's economy lacks diversification. It is based on exports of primary commodities and some agricultural products. These account for more than two-thirds of the country's economy and close to half of the government's revenues, according to a recent analysis by the IMF. Unfortunately, what we are seeing in Suriname is by now a known tale of a small country's commodity-dependent growth model losing traction. Recent steep declines in global commodity prices have led to a substantial current account deficit, reversing earlier surpluses as higher valued manufactured and consumer products dominate imports. At the same time, a lack of export revenues has exacerbated the drop in government revenues and ability to maintain uninterrupted financing across various social programs. The final shock comes from currency pressures. As a result, the country was forced to shift from a pegged to a floating exchange rate as depleting foreign exchange reserves became insufficient to maintain the peg. Ultimately, the roots of (and the solutions to) the current crisis are within the economy's limited industrial diversification. Suriname has had success with some earlier macroeconomic and public policies, which in the case of a small country are perhaps easier to implement effectively than in Venezuela. There also may be a strong perception among the public in Suriname that the current crisis is

temporary and will pass. Suriname's commodity-export model is not a sustainable alternative to economy's structural diversification. Also, commodity prices are likely to be slow to recover (if at all) to the pre-crisis

“It may be wise to direct some of the macroeconomic policy toward achieving economic diversification.”

— Aleksandr V. Gevorkyan

highs, given the anemic recovery across the major trading partners in advanced economies. As such, it may be wise to direct some of the macroeconomic policy toward achieving economic diversification. While the advice is generic for commodity exporters, what's specific is the industrial sector emphasis that individual countries might tap to stimulate domestic growth and sustain stronger consumer sentiments. In Suriname, the focus on exchange rate policy, recovering lost foreign exchange reserves, as well as private business development, in particular in agriculture and services sectors, may help dampen some of the strongest shocks of the immediate crisis.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

LATIN AMERICA ADVISOR is published every business day by the Inter-American Dialogue, Copyright © 2016

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

 THE DIALOGUE

Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Kevin Casas-Zamora, Director, Peter D. Bell Rule of Law Program
Ramón Espinasa, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Alejandro Ganimian, Nonresident Fellow
Peter Hakim, President Emeritus
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Director, Migration, Remittances & Development
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1211 Connecticut Avenue NW, Suite 510 Washington, DC 20036

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

LATIN AMERICA ADVISOR

Financial Services Advisor

The answers to questions that informed executives are asking.

SUBSCRIBE