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FEATURED Q&A

Can Pressure From Foreign Investors Save the Amazon?



Amazon deforestation hit an 11-year high in 2019. A satellite image showing fires in the Brazilian Amazon in August 2019 is pictured above. // Photo: NASA.

Q Major European investment firms have reportedly threatened to divest from Brazilian beef producers, grains traders and government bonds if they do not see advances in protecting the Amazon rain forest. Brazil's government responded on July 9 by announcing a ban on fires in the Amazon for 120 days. The investors' concerns follow an 11-year high in Amazon deforestation in 2019, President Jair Bolsonaro's first year in office. What factors have led to the increase in deforestation? Will Brazil's 120-day ban on fires satisfy investment managers, or should the country still expect divestments? To what extent will the risk of divestment lead to more long-term protections of the Amazon in Brazil?

A Emine Isciel, head of climate and environment at Storebrand Asset Management in Norway: "The escalating deforestation in Brazil, combined with reports of a dismantling of environmental and human rights policies and enforcement agencies, are creating widespread uncertainty among investors about the conditions for investing in or providing financial services to Brazil. Storebrand recognizes the crucial role that tropical forests play in tackling climate change, protecting biodiversity and ensuring ecosystem services, all of which are important issues for our long-term financial results. We have been leading and coordinating a public policy dialogue with Brazilian embassies around the world and so far 34 investors representing over \$4.6 trillion have joined its initiative. We have expressed our concern to the Brazilian government and want a dialogue about how we see protection of forests and human rights as essential for our continued investment in

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Brazil Officers Face Charges in Brutality Case

Two military police officers in São Paulo are facing charges after video emerged of one of the officers stepping on the neck of a Black woman and dragging her on a street.

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ECONOMIC

Colombia Sees Plunge in Foreign Investment

Colombia's net foreign investment plunged 59.4 percent to \$2.23 billion in the first half of 2020 amid uncertainty surrounding the coronavirus pandemic.

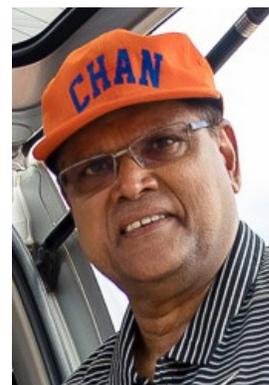
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POLITICAL

Suriname's Congress Elects Santokhi

Suriname's Congress elected Chan Santokhi the country's president, following the opposition's landslide victory in the May national vote. Santokhi's election puts an end to four decades of rule by Dési Bouterse.

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Santokhi // File Photo: VHP.

POLITICAL NEWS

Brazil Police Officers Face Charges in Brutality Case

Two military police officers in São Paulo are facing criminal charges after the broadcast of a video showing one of them stepping on the neck of a Black woman and then dragging her on a street, BBC News reported today. The incident happened in May, and the recording was made by a person who witnessed it. The video was broadcast last weekend by Fantástico TV. São Paulo Gov. João Doria said he would not tolerate such behavior by police and that both officers involved had been fired. The video has led to widespread anger in Brazil and has evoked the killing of George Floyd, an unarmed Black man who died May 25 in the U.S. city of Minneapolis after a white police officer knelt on his neck for more than eight minutes. Floyd's death has led to protests in the United States and in other countries. [Editor's note: See related [Q&A](#) in the June 18 issue of the Advisor.]

Suriname's Congress Elects Santokhi as Country's President

Suriname elected a new president on Monday, ending Dési Bouterse's four decades in power since the small South American country's independence, The New York Times reported. Congress on Monday voted for Chan Santokhi, a 61-year-old former police chief and former justice minister, as the country's new president following a landslide victory of the opposition in the May general elections. "Our country is on the brink of financial collapse," Santokhi told the legislative assembly in a televised victory speech, Stabroek News reported. "The government we form will pursue a coherent policy to work together toward that one goal: the recovery of Suriname," he added. Santokhi is taking charge at a time when Suriname is

deeply divided and on the edge of bankruptcy, while it struggles to contain the spread of the novel coronavirus, which has infected 741 people and killed 18 in a country of half a million people, The New York Times reported. However, Suriname's long-term prospects seem brighter, thanks to recently discovered oil off its shore. The country plans to begin exploiting the deposits by 2026, according to the report. Bouterse, a strongman who led the military government through the 1980s and then took office democratically in 2010, will remain in office until Aug. 12. Santokhi is to be sworn in on Thursday. [Editor's note: See related [Q&A](#) in the June 9 issue of the Advisor.]

ECONOMIC NEWS

Colombia's Net Foreign Investment Plunges 59 Percent

Colombia's level of net foreign investment plunged 59.4 percent to \$2.23 billion in the first half of 2020, as compared to \$5.49 billion in the same period last year, amid uncertainty related to the Covid-19 pandemic, the country's central bank said Monday, Reuters reported.



Duque // File Photo: Colombian Government.

In the first six months of this year, investors withdrew \$1.54 billion in Colombian equity and debt. In the same period in 2019, \$496.6 million in investment flowed into the country, the central bank said. In June, the South American country's net foreign investment shrank 97.6 percent as compared to June 2019. The government of President Iván Duque has said it expects the country's economy to

NEWS BRIEFS

Bolsonaro Expecting Results of New Covid Test, 'Can't Stand' Isolation

Brazilian President Jair Bolsonaro said Monday that he was taking another Covid-19 test and was expecting the results Tuesday, adding that he "can't stand" isolation, Agence France-Presse reported. Bolsonaro has been in quarantine for nearly a week after testing positive. Bolsonaro said he feels "very well" and will resume his regular routine if he tests negative.

OAS Secretary General Calls for Council Meeting on Guyana

Amid ongoing concerns about Guyana's electoral crisis, the secretary general of the Organization of American States, Luis Almagro, has called for a meeting of the body's permanent council, Stabroek News reported today. Almagro reportedly wrote to the chair of the permanent council, Fernando Cordero, seeking support "to deal with the situation of the electoral process in Guyana." The country's ruling party has refused to acknowledge defeat after a prolonged vote recount process of the March 2 presidential election.

Argentina's Latest Debt Proposal Is Final Offer: Fernández

Argentine President Alberto Fernández on Monday again reiterated that his government's latest proposal to international bondholders of \$65 billion in foreign debt is the country's final offer, saying in an interview with local radio station La Patriada that the government "can't do more than this," the Buenos Aires Times reported. The latest debt-swap proposal would exchange bonds issued under foreign legislation, and it equates to paying an average of \$53.50 per \$100 loaned. In May, creditors rejected an offer that represented paying \$39 per \$100 loaned.

contract 5.5 percent this year due to shutdown measures intended to curb the spread of the novel coronavirus. More than 150,000 people in Colombia are confirmed to have been infected with the virus, and the country has more than 5,600 confirmed deaths from it, according to a count by Johns Hopkins University.

BUSINESS NEWS

Chile's Codelco Confirms More Than 3,200 Covid Cases

Chilean state-owned miner Codelco, the world's largest copper producer, has confirmed a total of 3,215 cases of the novel coronavirus and nine related deaths among its workers, the firm's chairman said on Monday, as pressure intensifies on production of the metal, Reuters reported. Board Chairman Juan Benavides said 2,473 workers had already recovered and 37 remain hospitalized. Copper miners operating in Chile have largely kept operations going despite mounting Covid-19 cases in the Andean nation, though companies have seen pressure to boost safety measures, even potentially at the expense of production, the wire service reported. Unions at Codelco, whose work force totals 60,000 employees, including contract workers, said last week that nearly 3,000 workers had contracted the virus. Some unions and social groups have urged Codelco and other miners to suspend operations around the mining hub of Calama. Mining Minister Baldo Prokurica told Reuters this month that the government will put the health of workers first in the mining sector, even if it comes at the cost of production. Prokurica last month said Chile, the world's top copper producer, could see output of the red metal fall by 200,000 tons due to the pandemic, according to estimates by Chile's Copper Commission, or Cochilco, *El Economista América* reported. However, he warned that it's "very hard" to predict the correct figures, and current estimates are subject to change "depending on how the pandemic evolves."

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Brazil. We want to continue to invest in Brazil and help show that economic development and protection of the environment need not be mutually exclusive. Divestment is a real option for managing risks arising from deforestation, but our hope is that the government will listen to our concerns and take action to reduce deforestation significantly. Following a meeting with the investor coalition, the Brazilian government announced that it planned to ban setting fires in the Amazon for 120 days. This is potentially great news and an important step to prevent a repeat of last year's catastrophic forest fires, but it remains to be seen whether it will be enforced. The fire ban affects already deforested areas, so the real question is whether the government will crack down on new deforestation."

A **João Teixeira da Costa, partner at Benchmark Investimentos in São Paulo and co-founder of environmental journalism nonprofit oeco.com.br:** "Brazilian newspaper *Valor Econômico* reported on July 9 that Brazilian commodity exports may already be suffering an undeclared boycott from buyers in Europe who do not want to be associated with unchecked deforestation in the Amazon. The Bolsonaro regime, responding to the pressure from trade partners as well as international investors, tasked Vice President Mourão with defending its environmental policies. Interpreting warring factions within the Bolsonaro administration is always a challenge, but some of the more pragmatic, free-market-oriented groups close to agro exporters and to the finance industry apparently managed to alert the president that neglecting environmental issues is costly. Brazil desperately needs foreign investment in infrastructure, health, sanitation and urban development, a reality laid bare by the Covid-19 pandemic. Brazil could tap into these resources if it could show some respect for best environmental, social and governance (ESG) practices. But

there are reasons not to expect a fundamental change. Early in his term, Bolsonaro insisted that he would not try to build a base for himself in Congress trading patronage for votes. But the growing pressure from judicial investigations that could lead to an impeachment vote has caused him to change tack and to seek whatever support he can muster. He is unlikely, therefore, to confront the agrarian caucus in Congress, which tends to align more with illegal ranchers and loggers than with the agrobusiness export sector. International investors would do well to keep an eye on the satellite images. Until Bolsonaro shows a willingness to confront the squatters on public land that are driving deforestation in the Amazon and other endangered biomes, no sweet talk in the palaces of Brasília will make any difference."

A **Thomas Rideg, president of M-Brain Americas Inc.:** "Brazil holds a very strict environmental code, but deforestation of the Amazon is a result of illegal activity by both local and foreign players. Reasons range from roadside clearance fires, small cattle ranchers, illegal logging, Indigenous people clearing for crops and even large players. July to September is fire season all over South America, so this is the right time to impose a 120-day ban. But as most activity is already illegal, vigilance must be tight. The good news is that INPE announced on July 8 that fires in the Amazon region have declined 23 percent from a year earlier. No country can accuse Brazil's agribusiness performance and environmental sustainability without swallowing a huge dose of hypocrisy. Brazil has the world's second-largest agribusiness industry but utilizes only 7.8 percent of its land; compare that to 57 percent in Germany. Brazil also has the world's strictest forestry code. More than 63 percent of land is in its virgin state, as compared to 1 percent in Europe. The Brazilian Amazon region alone has 107 million hectares of

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Indigenous reserve, as compared to 22 million hectares of reserve in the United States. Let's not even begin discussing clean energy as compared to the European Union. It is no secret that Brazil is recovering from a political crisis and faces economic and social challenges, but the advances with its sustainability and agribusiness are second to none. Divestures by European investment firms would be a protectionist move disguised as concern for the Amazon. Meanwhile, China is increasing investments in this sector daily. Brazil recently announced that its agribusiness industry will hit a high in production in 2020, at 245.9 million tons."

A Galina Besedina, Paris-based portfolio manager for global emerging markets equities: "One of the factors that has led to Amazon deforestation is the growth of the middle-class population in emerging markets and, as a result, the increase in demand for different types of commodities. Brazil is one of the world's largest producers and exporters of meat, agricultural products and biofuels, requiring vast arable and cattle land. The Brazilian government's reluctant policy toward forest protection is a result of its short-term view on the local economy, and Bolsonaro's supporters benefit from the export of these commodities. In recent years, some government policies have even encouraged deforestation, which, of course, creates a significant concern for international investors. Concern about climate change is not a new issue for investment managers as clients are insisting on more responsible and sustainable capital allocation. Therefore, the investment managers who have joined the movement will most likely keep their promises and divest from Brazil if no significant progress is made to stop the deforestation, considering high reputational risks. However, it is hard to say what will be regarded as good progress on this issue, and when precisely the investment community will pull the trigger. Brazil depends on foreign investments, and local corporates have

their influence. In this light, the government may come up with an action plan to protect the Amazon. The main concern here would be whether this plan is ever implemented if not all global investors, including more Chinese ones, join the club and continue to put pressure on the local government."

A Gilberto M. A. Rodrigues, professor and head of the graduate program in international relations at the Federal University of ABC: "The Amazon has been at risk since President Bolsonaro took office in January 2019. His mindset regarding environmental protection is completely outdated and similar to those of the rulers of past authoritarian regimes, when military rulers thought the environment was an obstacle to economic development and believed that foreign governments were only interested in strategic resources under the forest, such as oil and uranium. The situation is even more problematic due to Bolsonaro's opposition to Indigenous peoples, who have been victims of many kinds of state violence, including genocide, according to many experts and NGOs. Moreover, the environment minister, Ricardo Salles, a far-right lawyer allied with conservative landowners, has no commitment to environmental protection at all. Salles is responsible for one of the most regressive environmental policies in contemporary Brazilian history that was not seen even in the last days of the military regime. Besides, the government has dismantled Ibama, an autonomous environment protection agency. So there is no doubt that deforestation is a policy adopted from the top. The 120-day ban on fires is a smoke screen. The only way to recover credibility of a responsible environmental policy is to change the minister (who is formally accused of crimes against public administration) and re-establish Ibama's authority. Foreign divestment would be the most powerful way to foster public opinion awareness and private sector support to lead the government to a long-term policy toward protecting the Amazon."

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