

## BOARD OF ADVISORS

### Diego Arria

Director, Columbus Group

### Devry Boughner Vorwerk

CEO,  
DevryBV Sustainable Strategies

### Joyce Chang

Global Head of Research,  
JPMorgan Chase & Co.

### Paula Cifuentes

Director of Economic & Fiscal Affairs,  
Latin America & Canada,  
Philip Morris International

### Marlene Fernández

Corporate Vice President for  
Government Relations,  
Arcos Dorados

### Peter Hakim

President Emeritus,  
Inter-American Dialogue

### Donna Hrinak

President, Boeing Latin America

### Jon E. Huenemann

Former Corporate and  
Government Senior Executive

### James R. Jones

Chairman,  
Monarch Global Strategies

### Craig A. Kelly

Senior Director, Americas  
Int'l 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

### Jaana Remes

Partner,  
McKinsey Global Institute

### Ernesto Revilla

Head of Latin American  
Economics, Citi

### Gustavo Roosen

Chairman of the Board,  
Envases Venezolanos

### Andrés Rozental

President, Rozental &  
Asociados

### Shelly Shetty

Managing Director, Sovereigns  
Fitch Ratings

## FEATURED Q&A

# Will Suriname's New President Bring Big Changes?



Chan Santokhi took office last month as Suriname's president, replacing longtime leader Dési Bouterse. // File Photo: Government of Suriname.

**Q** Chan Santokhi has taken office as Suriname's new president, ending decades of rule by Dési Bouterse, who had led the South American nation since the 1980s. The change in leadership comes at a critical time for Suriname, which is at the brink of default despite hopes it can begin to exploit new offshore oil discoveries by 2026. What will Santokhi's priorities be while in office, and which challenges will his government face? How will his administration differ from Bouterse's years in power? Does Suriname have the right regulations and incentives in place to attract foreign investment in sectors including oil and gold—one of the country's main economic assets—and what other measures should Santokhi take to drive economic growth?

**A** Steven Debipersad, lecturer and researcher at the Anton de Kom University of Suriname: "Suriname is in a serious crisis due to questionable policies, politicized institutions, nepotism and rampant corruption. The economy was already in recession from 2015-2016, which was slightly mended by increased activities in the gold sector. Recently, numerous loans were taken out just to keep the government running, but poor monitoring and accountability led to questionable spending. In 2018, the country became increasingly associated with drug shipments, especially to Europe. This resulted in problems with foreign banks, international payments and reduced foreign investment. In 2019, a second government bond was issued, despite warnings from ratings agency Fitch. Repayments of this bond have become challenging, as was apparent on June 30, the final date of the first payment.

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Peruvian Congress Rejects Vizcarra's Cabinet Ministers

Peru's Congress rejected President Martín Vizcarra's cabinet in a no-confidence vote. The new cabinet had been installed just last month.

Page 2

### BUSINESS

## Itaú Acquires Brokerage in Paraguay

Brazil's Itaú Unibanco has acquired Paraguayan brokerage Verbank for an undisclosed sum. Itaú said it is seeking to grow its brokerage business in Paraguay.

Page 3

### POLITICAL

## Colombia's Supreme Court Orders House Arrest for Uribe

Colombia's Supreme Court ordered former President Álvaro Uribe to be placed on house arrest while it investigates witness-tampering allegations against him. Uribe denies wrongdoing and has not been charged.

Page 2



Uribe // File Photo: Colombian Congress.

## POLITICAL NEWS

## Colombia's Supreme Court Orders House Arrest for Uribe

Colombia's Supreme Court late Tuesday ordered former President Álvaro Uribe to be placed on house arrest as it investigates witness-tampering allegations against him, The Wall Street Journal reported. The justices are investigating claims that Uribe, who was in office from 2002 to 2010, paid a member of Colombia's former paramilitary militia to alter his testimony to court investigators related to Uribe's alleged role in helping to create the now-defunct group, the newspaper reported. Political opponents of Uribe and human rights lawyers have filed at the Supreme Court 17 complaints against the former president. Uribe has denied wrongdoing in the witness-tampering case as well as in the other complaints that have been filed against him. In a posting Tuesday on Twitter, Uribe lamented the court's decision to place him on house arrest. "The loss of my freedom causes me profound sadness for my wife, for my family and for the Colombians who still think I did something good for the country," he said in the tweet. In its decision, the Supreme Court found "possible risks" of obstruction of justice while magistrates investigate the accusations against Uribe, the Associated Press reported. "He will fulfill his detention from his residence," said Héctor Javier Alarcón, the president of the court chamber that is overseeing the case, the wire service reported. "And from there he can continue his defense with all the guarantees of due process of law." Civil-rights groups praised the Supreme Court's decision for continuing to investigate the allegations. "The court is showing that everyone—even the most powerful—is equal before the law," said José Miguel Vivanco, the Americas director at Human Rights Watch. However, supporters of Uribe, including current President Iván Duque, criticized the move to place him on house arrest. "It hurts, as a Colombian, that many who have wounded the country with barbarities defend themselves

in freedom," said Duque. "And that an exemplary public servant who has held the highest position of the state cannot."

## Peru's Congress Rejects Cabinet in No-Confidence Vote

Peruvian President Martín Vizcarra is facing a new political crisis, left with no ministers on Tuesday after Congress refused to approve his recently appointed cabinet in an unexpected move, El Periódico reported. After more than 20 hours of discussion, Congress issued a no-confidence vote in the new cabinet named by Prime Minister Pedro Cateriano, who had taken office just 19 days before. Congress vot-



Vizcarra // Photo: Peruvian Government.

ed with 37 votes in favor of the cabinet and 54 against it, as well as 34 abstentions. Lawmakers alleged the tapped ministers were favorable to the business community and did not offer new alternatives to handling the Covid-19 pandemic. The health crisis has hit Peru particularly hard. The Andean nation has registered the third-highest number of confirmed deaths from the novel coronavirus in Latin America, with more than 19,000 dead, and has struggled with one of the worst outbreaks worldwide. Additionally, the World Bank expects the Peruvian economy to contract by 12 percent this year. Tuesday's no-confidence vote led to the resignation of all 19 cabinet ministers, the Associated Press reported. Under Peruvian law, the president has 72 hours following the vote to present a new cabinet to the 130-member Congress, where Vizcarra has no party representation. In a nationally televised address, Vizcarra said some legislators put

## NEWS BRIEFS

## U.S. Will Keep Recognizing Venezuela's Guaidó After Legislative Vote: Abrams

The administration of U.S. President Donald Trump will continue recognizing Venezuelan opposition leader Juan Guaidó as the South American country's legitimate interim president after Venezuela's planned Dec. 6 legislative election, the administration's special representative on Venezuela, Elliott Abrams, told members of Congress Tuesday, Reuters reported. Venezuela's opposition has said it will boycott the election, which it says will be fraudulent.

## Colombia's Central Bank Expects Economic Growth of 4.1% Next Year

Colombia's economy will recover next year, with growth of nearly 4.1 percent, after a recession this year, according to the country's central bank, Reuters reported Tuesday. The bank's technical team said it expects GDP growth of between 3 percent and 8 percent next year, with a figure close to 4.1 percent being the most likely. According to the bank's forecast, the Colombian economy will contract between 6 percent and 10 percent this year, as low oil prices and coronavirus lockdowns have hit businesses and unemployment has soared.

## Honduras to Reopen Airports in Mid-August

Honduras announced Tuesday that it will reopen airports to domestic and international flights starting in mid-August, nearly five months after their closures due to the Covid-19 pandemic, Reuters reported. Domestic flights will resume on Aug. 10 and international flights on Aug. 17, both under "strict biosecurity measures," said María Antonia Rivera, the minister of economic development. It's a move intended to reactivate the Honduran economy, which the central bank expects will contract between 7 percent and 8 percent this year.

"their own interests above national interests." He added that it was the first time in 20 years that Congress rejected a new cabinet. "Despite the health and economic crises we are going through, Congress has decided to add another political crisis to this country," Vizcarra said.

## BUSINESS NEWS

# Itaú Unibanco Acquires Paraguayan Brokerage Verbank

Brazil's Itaú Unibanco has acquired Paraguayan brokerage house Verbank Securities Casa de Bolsa, Citywire reported Tuesday. Paraguay's central bank last Thursday approved Itaú's purchase of 100 percent of Verbank's shares. The transaction's cost was not disclosed. As a result of the purchase, Verbank, which has

**Verbank will change its name to Itaú Investe.**

more than 10 years of experience in Latin American capital markets, will change its name to Itaú Investe, local Paraguayan newspaper La Nación reported. Itaú said it was looking to grow its brokerage business in Paraguay through the acquisition while at the same time seeking to attract foreign investors and create a secondary fixed income market to make Itaú Investe the largest wholesale bank in Paraguay, Citywire reported. Under the deal, the management of Verbank will be handed over to the Brazilian bank's executives. According to a market filing by Itaú on July 22, Verbank had approximately \$424,000 in assets at the time of the purchase and no active client accounts while making trades through an in-house desk, Citywire reported. "We know that our friends in Itaú will continue with our principles and will make an enormous contribution to the local market," Jorge Usandivaras, the founder of Verbank Securities, said in a statement, La Nación reported.

## FEATURED Q&A / Continued from page 1

Suriname was not able to pay \$23.6 million, and, to avert a default, it began negotiations with bondholders. However, a default is still eminent. Bouterse leaves behind a high debt burden (above 85 percent of GDP, from 19 percent in 2010), challenging government cash flow conditions and an impoverished population. The main challenge is to restore a healthy cash flow to public finances so that payment obligations are met. Regaining the confidence of creditors and investors is the next step. Support from the IMF could accelerate this process. Unification of the exchange rate is a high priority. Together with the reduction of government spending, these are fundamental steps for the first six months. The new administration will have to work on a coherent set of policy measures focusing on accountability and transparency. Strengthening the rule of law and institutions and swift prosecution of violators should distinguish the new administration from the previous one. Several multinationals already operate in Suriname in the oil and gold sector, and previously in the bauxite industry. However, to diversify the economy for sustainable long-term growth, new insights on incentives to cope with the needs of a changing world will be necessary. The country's image has suffered in recent years by association with drug shipments, money laundering and corruption scandals. Santokhi will have to take firm actions to restore Suriname's image internationally, especially with de-risking lurking around the corner."

**A Christian Wagner, Americas analyst at global risk analytics firm Verisk Maplecroft:** "Santokhi ran on a justice, accountability and anti-corruption platform, but we expect him to focus on the pandemic's economic fallout and Suriname's dire financial situation. He's already in talks to renegotiate some of the country's significant debt, and he may resume talks with the IMF over austerity measures. His government will face high financing costs, depressed

demand for his country's main exports and sources of foreign currency, and high social spending needs. He will likely offer trade and fiscal incentives in exchange for investment, pull back on Suriname's financial restrictions and pledge to respect foreign exchange savings. However, he will suffer criticism for any cutbacks in social spending and over any appearances of an immunity deal with Bouterse, increasing civil unrest risks. We expect Santokhi's government to have a closer relationship with the European Union, the Netherlands, the United States and international organizations (particularly the OAS and IMF), which will probably secure debt relief measures and development assistance. Santokhi will also develop closer ties with the country's business community, particularly the financial sector, and will likely relax financial restrictions. Suriname is an open market friendly to foreign investment. The risk of expropriation and nationalization is perceived to be low, although the regulatory system is outdated, and it lacks institutional checks and balances up to international best practices. Its main challenge has been the political processes to improve and implement an updated framework. The country's extractive potential will remain attractive, with mining investments expected to continue growing and oil and gas investments expected to gradually recover after the 2020 price slump. Further licensing rounds are likely in the second half of Santokhi's term. Santokhi's government is expected to continue Bouterse's regulatory modernization policy, particularly as to the creation of a Mining Institute and a Petroleum Institute to act as specialized technical regulators, improving institutional independence by removing potential conflicts of interest or politicization within Staatsolie, NIMOS or government ministries. To foster growth, the Santokhi government can focus on promoting foreign-capital-attracting activities, particularly tourism promotion, and providing technical services, for Guyana's booming oil sector."

Continued on page 4

## FEATURED Q&amp;A / Continued from page 3

**A** **Andrea Ewart, CEO of Develop-TradeLaw:** “The decisive rejection of Bouterse’s government by the Surinamese electorate gives the new government a strong mandate to address the long list of challenges facing the country. Having successfully handled the first task—forming the four-party governing coalition and the peaceful transition of power—the immediate priority is coronavirus containment, without which the road to economic recovery will be even more daunting. Other priorities include debt restructuring

“**Repairing ties with the United States and the Netherlands is key to managing its debt.**”

— Andrea Ewart

and skillful foreign policy realignment. Repairing ties with the United States and the Netherlands is key to managing its debt. The government also has an interest in maintaining current ties with China, which is providing needed infrastructure development and had promised Bouterse a \$300 million line of credit, a lifesaver to the heavily indebted country. Suriname will need the policy space to maneuver in its best interests. Attracting foreign investment for long-term development requires significant reform of the country’s dysfunctional legal system, characterized by antiquated, irrelevant and inactive business-related legislation. The World Bank’s 2020 Doing Business Report ranked Suriname 162 out of 190 countries. With respect to starting a business and contract enforcement, the country placed in the bottom 10th percentile, significantly below the mean for Latin America and the Caribbean. It placed in the bottom 20th percentile with respect to registering property. In sum, the legal and justice sectors of Suriname are extremely unfriendly to business and to the needs of the international economy, placing the need for legal reform high on the long

list of priorities the new government will need to tackle.”

**A** **Nicolás Urrutia, senior analyst at Control Risks:** “Santokhi’s top priorities during his first year in office will be to restore economic stability while countering the spread of Covid-19. During its first two weeks in office, the new government has engaged multilateral financial institutions and sought support from the Netherlands, the United States, Brazil and China, as the administration prepares an economic adjustment plan that will define Suriname’s economic prospects over the next five years. In addition to the challenges of tackling Covid, Santokhi is likely to face pushback in the National Assembly and on the streets of Paramaribo against certain aspects of the economic recovery plan, such as the introduction of value-added tax and dismantling government subsidies for public utilities. Bouterse attempted to scale down subsidies in 2017 as part of an agreement with the International Monetary Fund, and he was forced to backtrack after protests broke out in the capital. Although political corruption is widespread and will remain a persistent challenge for the new administration, Santokhi comes into office unburdened by various problems that weighed down Bouterse during his final years. In addition to criminal charges and convictions against Bouterse, his relatives and close associates in the Netherlands and the United States, in November a military court found the former president guilty of multiple murders committed in 1982, and a majority of the public views him as being responsible for Suriname’s economic woes. Suriname’s regulatory and institutional framework are adequate to continue attracting foreign investment in oil and gold, and the new administration will remain committed to maintaining a business-friendly environment for companies in both sectors, as they are fundamental to the country’s economic recovery.”

LATIN AMERICA ADVISOR is published every business day by the Inter-American Dialogue, Copyright © 2020

**Erik Brand**  
Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**  
Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Anastasia Chacón González**  
Reporter & Associate Editor  
[achacon@thedialogue.org](mailto:achacon@thedialogue.org)

 **THE DIALOGUE**

**Michael Shifter**, President  
**Rebecca Bill Chavez**, Nonresident Senior Fellow  
**Sergio Bitar**, Nonresident Senior Fellow  
**Joan Caivano**, Director, Special Projects  
**Michael Camilleri**, Director, Rule of Law Program  
**Kevin Casas-Zamora**, Nonresident Senior Fellow  
**Héctor Castro Vizcarra**, Nonresident Senior Fellow  
**Julia Dias Leite**, Nonresident Senior Fellow  
**Ariel Fiszbein**, Director, Education Program  
**Peter Hakim**, President Emeritus  
**Nora Lustig**, Nonresident Senior Fellow  
**Margaret Myers**, Director, Asia and Latin America Program  
**Manuel Orozco**, Director, Migration, Remittances & Development  
**Xiaoyu Pu**, Nonresident Senior Fellow  
**Jeffrey Puryear**, Senior Fellow  
**Mateo Samper**, Nonresident Senior Fellow  
**Tamar Solnik**, Director, Finance & Administration  
**Lisa Viscidi**, Director, Energy Program  
**Denisse Yanovich**, Director of Development and External Relations

**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [ebrand@thedialogue.org](mailto:ebrand@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.