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FEATURED Q&A

Are Recent Protests Putting Suriname's Gov't at Risk?



Protesters in Suriname have called for President Dési Bouterse to resign. // File Photo: Venezuelan Government.

Q In a series of anti-government protests in Suriname, thousands have taken to the streets in recent weeks calling for the resignation of President Dési Bouterse. Demonstrators have been angered by recent hikes in the prices of fuel, water and electricity. What is behind the political turmoil in Suriname, and is the government at risk? Will the administration reverse the price increases, as protesters have demanded? If it doesn't, how will the country's economy and politics be affected? In general, how well has Bouterse run the Dutch-speaking nation since he took office in 2010?

A Steven Debipersad, economist and lecturer at the University of Suriname: "Since the start of the Bouterse administration in 2010, it has been characterized by leftist/populist measures and lavish spending. Initially, this policy was received happily by a large part of the population. This is also the main reason for his National Democratic Party's victory in the 2015 legislative elections. However, soon after the party's victory, it appeared that the populist dream was over and there was no more money to keep the government running. The state had been spending more than it had received for years. In addition, the prices for commodities fell significantly since 2013, resulting in serious trade imbalances for Suriname, a commodity exporter. Many social measures built since 2010 came under pressure, while the state, on the other hand, tried to increase revenues in a number of ways. This wasn't the biggest hurdle, but the 60-percent energy price hike after six months and rising gasoline prices all contributed to the scenario.

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TODAY'S NEWS

POLITICAL

General Strike Halts Public Transit, Turns Violent in Brazil

Protesters blocked roads and in some cases burned buses in protest of President Michel Temer's labor and pension reforms.

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BUSINESS

NCB Jamaica Reports Record Profit of \$41.8 Mn

The bank's profits for the quarter ending in March reached an all-time high. An acquisition of a stake in Guardian Holdings, as well as higher fees and commissions, helped drive profits in the quarter.

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POLITICAL

Maduro Hikes Venezuela's Minimum Wage 60 Percent

The minimum wage hike is the third this year and comes as the value of Venezuela's currency continues to plummet and inflation increases in the Andean nation.

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Maduro // File Photo: Venezuelan Government.

ECONOMIC NEWS

Venezuela's Maduro Announces 60% Hike to Minimum Wage

Venezuelan President Nicolás Maduro on Sunday announced he would increase the country's minimum wage by 60 percent in response to the country's economic crisis, CNN reported. "We're here to take care of the workers, those who are most humble, and not the privileges of the oligarchs," Maduro said on his weekly television show, the Associated Press reported. The minimum wage hike is the third wage increase this year and the 15th since Maduro became president in 2013, as the value of the national currency, the bolívar, plummets and the prices of basic goods continue to climb, making items such as food and medicine too expensive for many Venezuelans, CNN reported. Inflation is expected to rise to 2,000 percent this year, according to the International Monetary Fund, the AP reported. The minimum wage for Venezuela is 200,000 bolívars per month, which is valued at about \$50 on

the black market. Maduro also enacted an "economic war" bonus for retirees in order to counteract what he says are efforts by the opposition to undermine the economy. For those Venezuelans who can afford the high prices for basic goods, often there still isn't enough to go around, leading to long lines outside stores. The country's economic and political crisis has moved the country to protest throughout Venezuela. As of last Wednesday, 28 people had been killed in the violent protests, according to the country's attorney general.

POLITICAL NEWS

General Strike Halts Public Transit, Turns Violent in Brazil

A nationwide strike, called in protest of President Michel Temer's proposed labor and pension reforms, shut down public transportation and turned violent in some areas of the country on Friday, The Wall Street Journal reported. The actions could lead Temer's government to

NEWS BRIEFS

Eight Killed in Cuba Military Plane Crash

A Cuban military plane crashed into a hillside Saturday in the province of Artemisa, killing all eight troops on board, according to the government, the Associated Press reported. The weather was clear and sunny during the time of the crash. The military said it would have a special commission investigate the cause of the incident. Government officials did not release any further information.

Mexico's Economy Grows 2.7% in First Quarter

Mexico's economy grew 2.7 percent in the first quarter as compared to the same quarter a year ago, despite concerns that Donald Trump's presidency in the United States will crimp Mexico's economic growth, The Wall Street Journal reported. Mexico's GDP grew 0.6 percent in the first quarter as compared to the previous three-month period. Part of the reason for Mexico's first-quarter growth was attributed to Easter occurring in April, as the holiday usually means a decline in economic activity. Trump's presidency has raised concerns about Mexico's economy, including because of Trump's vow to renegotiate NAFTA.

Colombian Central Bank Cuts Key Interest Rate by Half Percentage Point

Colombia's central bank on Friday cut its overnight interest rate by the greatest amount since 2013, the Financial Times reported. Policymakers cut the key interest rate by a half percentage point to 6.5 percent, the third cut this year. The decision came amid indications that Colombia's economy will continue to struggle in the near term and as inflation continues to slow. Annual inflation fell to 4.69 percent in March, but it still remains above the central bank's target range. The economy is expected to grow by 2.3 percent this year.

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Suriname is now going through its deepest recession in modern history, and nothing indicates that it has reached rock bottom. The Surinamese dollar last year was devalued by more than 60 percent, and year-end inflation rose to 53 percent. This has severely worsened purchasing power. People are now worried about the future and reject further price increases. The protesters want salary adjustments (to compensate for inflation) and a full stop of future price increases. If the government takes these measures, it will ensure its continuity. Although there is a call to lower the gasoline price, the last price increase has been reversed. The same goes for energy prices that have not changed since September. Bouterse knows the mindset of Surinamese voters, since he has been an influential politician since 1980.

Therefore, I do not believe he will step down, and since some salaries will be partially adjusted by the end of this month, the protests will eventually come to an end."

A **Kelli Bissett-Tom, associate director for sovereign ratings at Fitch Ratings:** "Suriname is struggling to adjust to the gold and oil price shocks, which created large twin current account and fiscal deficits in 2015. The resulting balance sheet deterioration and policy challenges led to Fitch's two downgrades since 2015, including the lowering of Suriname's ratings to 'B-/Negative' in February. Macro conditions deteriorated in 2016. Inflation averaged 55 percent, and the economy contracted by 10 percent. This partly reflects the commodity shocks, but

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weaken the proposed reforms, analysts said. Protesters blocked many major roads in São Paulo, while several bus and train lines were shut down on Friday, the newspaper reported. Public transit was also halted in cities across the country. In Brasília, demonstrators blocked access to the capital's international airport. Violence broke out in front of Temer's private residence in São Paulo, and protesters set several buses on fire in Rio de Janeiro. Temer said Friday night that his proposed reforms would see ample debate in Congress.

BUSINESS NEWS

National Commercial Bank Jamaica Reports \$41.8 Mn in Profit

National Commercial Bank Jamaica on Friday reported its highest-ever quarterly profit, 5.87 billion Jamaican dollars (\$41.8 million), for its quarter ending March 31, the Jamaica Gleaner reported. That profit amounts to earnings per share of 2.39 Jamaican dollars, up from 1.47 Jamaican dollars a year earlier, the bank said. "We are encouraged by the performance," NCB's deputy managing director, Dennis Cohen, told investors at a briefing. The company's 29.9 percent acquisition of Guardian Holdings helped to fuel group profits in the quarter, the company said. Net fees and commissions in the quarter rose to 3.5 billion Jamaican dollars in the quarter, as compared to 2.6 billion Jamaican dollars a year earlier. NCB also hired a cost "czar" in order to review key spending, said Patrick Hylton, NCB's group managing director. "What we have done is essentially started the process of creating a framework for a more rigorous assessment of all the areas of spend across the group," said Hylton. "We have given that responsibility to one person to create a plan, the major areas of which have been defined to create governance structure around spending in order to ensure that we get the best value for money." Hylton did not announce the name of the person hired for the position. NCB is also investing heavily in expansion, the bank said, noting capital expenditure of

THE DIALOGUE CONTINUES

Do Funding Cuts Threaten Brazil's Innovation Plans?

Q **Brazil's government on March 30 announced a 44 percent cut to the federal science budget. That funding reduction leaves the country's Ministry of Science, Technology, Innovations and Communications with a budget of just under \$900 million, its lowest level in more than a decade, according to the journal Nature. What will be the consequences of the funding cuts in the near term and for Brazil's economy in the long term? To what extent will the cuts affect "innovation" businesses in Brazil, such as ones involved in medicine and technology? Will cooperation between Brazilian scientists and ones in other countries diminish?**

A **Justin Duarte Pine, director of international affairs at the Biotechnology Innovation Organization (BIO):** "Biotechnology research and development relies on a series of complex relationships among actors within the life sciences community, including academia and venture capitalists. Many early-stage discoveries arising from universities and publicly funded research require lengthy additional R&D which in turn requires a massive infusion of private capital. All of this activity takes place with no guarantees that initial discoveries will ever lead to safe, effective and commercially viable products. Accordingly, policies and programs that help

reduce the risk companies must endure will help to stimulate investment. Particularly important are, for example, policies that encourage full funding of basic research. Understanding the major economic challenges and budgetary concerns facing Brazil today, BIO hopes that Brazil will be able to reaffirm and continue its commitment in the near term to basic research funding, whether at government laboratories or universities. Without a robust basic research program, innovation in Brazil would face a significant setback over the long term. Given that it is collaborations between the public and private sectors that propel research toward a specific outcome and fill both the knowledge and funding void, it is also critical to reduce and remove barriers to such collaborations in order for Brazil to be a leader in the global innovative space. This is critical, since discoveries at universities, for example, that are funded with public money can often open the door for creation of new companies, leading not only to the development of products that benefit the public, but also jobs for the country."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the April 24 issue of the Advisor.

2.4 billion Jamaican dollars, twice the amount from a year earlier. The spending is mainly tied to NCB's retail banking division, with 1 billion Jamaican dollars allocated to the construction of a new banking center in Montego Bay. The bank is also spending 628.7 million Jamaican dollars in its payment services division, related to upgrading card technologies, NCB said. Over six months, profits amounted to 9.5 billion Jamaican dollars, up from 5.9 billion from

the year-ago period. Earnings per share were 3.84 Jamaican dollars, as compared to 2.44 a for the same period a year earlier. During the quarter ending in March, NCB Financial Group became the holding company for NCB and its businesses after Jamaica's Supreme Court and shareholders approved the new holding structure. The restructuring was aimed at facilitating the company's future expansion in the Caribbean, the Gleaner reported.

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also the magnitude of external adjustment and the start of a fiscal adjustment. Suriname floated its currency and undertook significant currency depreciation between March and September 2016, which has reduced external imbalances, and the government made fiscal efforts to contain expenditure growth. The costs of the crisis and the adjustment to households and businesses have waived public support for the government's planned fiscal adjustment. The latter was aimed principally at lifting noncommodity revenues by increasing electricity tariffs, fuel taxes and tax administration. The introduction of a value-added tax was targeted for 2018. The government has rolled back or frozen the hikes in response to increasing union and civic protests. The lack of social and political consensus on Suriname's macro and fiscal adjustment strategy has increased the policy challenge of shoring up public finances and sustainably managing the larger public debt and interest burdens. The loss of the IMF external liquidity backstop (the standby arrangement signed in May 2016 is off track) points up risks from Suriname's recovering—but still relatively weak—international reserves. Suriname delivered the first \$25 million semiannual interest payment on its maiden 2026 global bond on April 26."

A **Anthony T. Bryan, professor at the Institute of International Relations at the University of the West Indies in St. Augustine, Trinidad:** "The recent anti-government protests in Paramaribo are the result of current failed economic policies. The Surinamese are angry about the sharp decline in living standards, the rise in gasoline prices and no salary increases for workers because of the drop in prices for export commodities such as oil and gold. Suriname's commodity-based export economy has been characterized by cyclical boom and bust. It grew rapidly in 2007 and 2008, slowed down in 2009 because of the global economic crisis, rebounded in 2010 and 2011, and

remained buoyant in 2012 and 2013. But by 2015 and into 2016, because of falling hydrocarbon and gold prices, the currency was devalued, and the country has been under an IMF stand-by arrangement for 24 months since May 2016. Financial support totaling \$478 million is being sourced from

“**In a serious political crisis, tensions or factions within the NDP could rupture the coalition.**”

—Anthony T. Bryan

international financial institutions: the Caribbean Development Bank, the Inter-American Development Bank, the World Bank and the Islamic Development Bank. There is a moderate risk of civil unrest as the government's austerity policies continue. During another serious debt crisis two decades ago, opposition elements forced Bouterse to call early elections—which he lost. This time, the situation is different. The National Democratic Party's victory in the May 2015 national elections, the first time any single party gained a majority since independence in 1975, provided President Bouterse with a unique opportunity to form a majority coalition through playing the ethnic and religious cards. He has been able to hold power in a diverse political environment that reflects a mix of democratic form and autocratic substance based on serious political patronage. The president and his party have a firm grip on power. But in a serious political crisis, tensions or factions within the NDP could rupture the coalition. Or Bouterse could decide not to seek another term in 2020."

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