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FEATURED Q&A

How Might U.S. Sanctions Policy Change Next Year?



Among those targeted by U.S. sanctions are members of Nicaraguan President Daniel Ortega's inner circle. U.S. sanctions policy could change based on who wins the U.S. presidential election this November. // File Photo: Nicaraguan National Police.

Q Since taking office, U.S. President Donald Trump's administration has toughened sanctions against some Latin American governments in an effort to exert pressure on those countries' leaders. The Trump administration recently sanctioned officials of President David Granger's government in Guyana following the country's disputed election. U.S. sanctions have also targeted Venezuela's oil industry, the assets of top Nicaraguan government and military officials, and some remittances to Cuba. If Trump wins re-election in November, how could sanctions involving Latin American countries expand or otherwise change in his second term? If Joe Biden is elected president, to what extent would sanctions involving the region change? In the area of sanctions policy, what is most at stake for businesses in the U.S. presidential election?

A Seth Stodder, partner at Holland & Knight: "A Biden presidency will mark a major shift in U.S. foreign policy toward Latin America, but I would not expect much change regarding Venezuela, Guyana and Nicaragua. On Venezuela, it is possible we may see an even tougher approach, given Vice President Biden's criticism of Trump for saying he would be willing to meet with Venezuelan President Maduro. Biden has not made any specific comments on Guyana, but he is likely to maintain the visa sanctions imposed on Guyanese officials in response to President Granger's refusal to transfer power after the recent election. Biden has not commented specifically on Nicaragua, but given the Ortega regime's corruption, human rights abuses and open support for Maduro, a lifting of sanctions seems unlikely—at least until

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A U.S.-based company is planning to build Ecuador's first liquefied natural gas import terminal. Construction is to begin next year.

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The investment arm of Nordea Asset Management has dropped Brazilian meat producer JBS from its portfolio over links to deforestation in the Amazon.

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Bolsonaro Accused of Crime Against Humanity Over Handling of Covid

A group of unions and social groups representing Brazilian medical professionals lodged the complaint against Brazilian President Jair Bolsonaro over his response to the Covid-19 pandemic.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Bolsonaro Accused of Crime Against Humanity Over Covid

A group of unions and social groups representing Brazilian medical professionals have filed a complaint against President Jair Bolsonaro in the International Criminal Court, accusing him of a crime against humanity over his response to the Covid-19 pandemic, NPR News reported Monday. Brazil has more than 2.4 million reported cases of the disease and more than 87,600 confirmed deaths related to it, more reported cases and deaths than any other country in the world except the United States. In the complaint, filed at the court in The Hague, Brazil's UNISAúde network accused Bolsonaro of "serious and deadly failures" in his handling of the pandemic, saying that the loss of life attributed to the disease amounted to "genocide," Newsweek reported. Among actions by Bolsonaro cited in the complaint is his repeated touting of hydroxychloroquine, an anti-malaria drug that has not proven to be effective in fighting the novel coronavirus. Most recently, a study carried out in Brazil and published last Thursday in The New England Journal of Medicine found hydroxychloroquine to be ineffective in treating those who were infected with the coronavirus. However, on Saturday, just two days later, Bolsonaro tweeted a photo of himself holding a pack of the drug and giving a thumbs-up gesture, saying that after three positive tests for Covid-19 in recent weeks, his latest test came back negative. "RT-PCR for Sars-Cov 2: negative. Good morning everyone," he tweeted. Bolsonaro has also downplayed the disease and has shunned lockdown measures that state governors have ordered in order to curb the virus' spread. In the complaint, the medical professionals accused Bolsonaro of committing a crime against humanity through reacting to the pandemic with "contempt, neglect and denial," NPR reported. Meantime, 152 Catholic bishops in Brazil have signed an open letter, saying Bolsonaro's government is not capable of handling what it

called a "perfect storm" that resulted from an "unprecedented health crisis, overwhelming economic collapse" and "tensions" among key government institutions, NPR reported. Brazil is facing "socioeconomic chaos," the bishops warned in the letter, adding that Bolsonaro's government in a "systematic" way has used "unscientific arguments ... to normalize a Covid-19 plague that is killing thousands, and to treat this as if it was an accident or divine punishment." In Brazil, the coronavirus outbreak has stabilized in areas including São Paulo, where most of the country's related deaths have occurred. However, the number of cases is rising in 10 of the country's states, and the average daily death toll has remained above 1,000 for nearly nine weeks. NPR sought comment from Bolsonaro's office on Monday but was referred to the attorney general's office, which said that it would respond only after receiving formal notification from the International Criminal Court.

ECONOMIC NEWS

Construction Planned on Ecuador LNG Import Terminal

U.S.-based company Sycar is planning to build Ecuador's first import terminal for liquefied natural gas, or LNG, with construction slated to start next year, Argus Media reported Monday. The company, in partnership with an unnamed LNG trading firm, wants to install a floating storage and regasification unit, or FSRU, to provide regasified LNG to the Thermo Gas Machala gas-fired power plant in the Andean nation's El Oro province. The terminal will also have an LNG truck-filling station, according to Sycar's website. Ecuador's hydrocarbons ministry has reportedly already approved the project, and Sycar expects to complete environmental licensing by the fourth quarter, the company said on its website. "This project is intended to introduce natural gas to the Ecuadorean energy matrix as a phase 1 for a future onshore LNG storage terminal," the website says. Ecuador's

NEWS BRIEFS

At Least Three Killed as Hurricane Hanna Slams Mexico

At least three people were killed in Mexico as Hurricane Hanna slammed into the northeastern part of the country, NPR News reported Monday. The bodies of a 7-year-old girl and her mother were found Monday in the city of Saltillo, the capital of Coahuila state, after their van ran out of gas and was swept away in an overflowing tributary. Also, in the border city of Reynosa, a woman reportedly died after she suffered a seizure and drowned in floodwaters. Three children were also reported missing after they fell from a tree into floodwaters.

Inmates Demand Covid-19 Tests in Protest on Bolivian Prison's Roof

Inmates at a prison in central Bolivia protested on the facility's rooftop on Monday, demanding medical services following the deaths of three inmates, including one suspected of having Covid-19, the Voice of America reported. Prisoners held up banners including one that read, "We want Covid-19 tests." The protests over health concerns comes after the recent deaths of 23 people in the San Pedro Jail in La Paz, reportedly due to coronavirus.

Credit Suisse Taps Chilov as Wealth Management Head for Brazil

Credit Suisse has appointed Marcello Chilov as its new head of international wealth management for Brazil, the bank said in a statement Monday, Finews reported. He will report directly to Philipp Wehle, who heads the division. Chilov has worked at Credit Suisse for the past 11 years, and he has more than 20 years of experience in banking. Previously, he was responsible for transactions, tactical and structured solutions at IWM in Brazil, according to the report.

government has been looking to diversify the country's power supply sources in recent years, including LNG imports and a possible pipeline for gas deliveries from Peru, as the country is set to face a domestic supply shortage of gas in the next "few years," Juan Carlos Bermeo, the deputy hydrocarbons minister, said last year, Argus Media reported. The shortage is expected due to declining reserves at the Andean nation's only gas field, Amistad, where production is expected to fall to just 8 million cubic feet per day within the next four years.

BUSINESS NEWS

Nordea Drops Brazil's JBS Over Deforestation Links

The investment arm of northern Europe's largest financial service group, Nordea Asset Management, has dropped Brazilian meat processor JBS from its portfolio over the company's links to farms involved in deforestation practices in the Amazon rain forest, The Guardian reported today. The financial services group made the decision about the world's biggest meat processor a month ago, considering factors including links to deforestation but also JBS' response to the Covid-19 outbreak and past corruption scandals, according to the report. "The exclusion of JBS is quite dramatic for us because it is from all of our funds, not just the ones labeled ESG," said Pedersen. ESG, or environmental social and governmental standards, are used to evaluate a company's sustainability and societal impact for investors. About one-third of Nordea's investments are classified as ESG, Pedersen said. Nordea is among the international financial institutions that warned Brazil's government they would divest from the country if they did not see more action to fight deforestation in the Amazon rain forest, Reuters reported. In total, the 29 financial groups manage \$3.7 trillion worth of funds. [Editor's note: See related [Q&A](#) in the July 14 issue of the Advisor.]

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after Nicaragua's 2021 election. Cuba policy, however, is one area where a Biden victory would likely have a major impact, as Vice President Biden has advocated resuming President Obama's normalization of U.S.-Cuba relations and lifting trade and travel restrictions—in part reversed by President Trump. That said, Biden has also been very critical of recent human rights abuses by the Cuban regime, and he was also very critical of Senator Bernie Sanders' praise of certain Cuban policies during the Democratic primary campaign. So, I would not expect an immediate resumption of normalization efforts by a President Biden, as it will likely depend on improvements in the Cuban government's human rights record. But as trade and travel restrictions are again lifted, this may provide businesses with significant opportunities in Cuba."

A **Angela Mariana Freyre, former general counsel of the U.S. Export-Import Bank and former special advisor for Cuba policy at the National Security Council:** "One of the most unfortunate aspects of the Trump administration is its abandonment of diplomacy and engagement in favor of trade wars and sanctions, not only in Latin America, but throughout the world. Although sanctions have different purposes (the recent sanctions in Guyana were intended to pressure the Granger government to respect the internationally confirmed election results), most sanctions seek to achieve regime change by denying resources to the target government and creating difficult living conditions for the people of the target country (the sanctions against Cuba, Nicaragua and Venezuela, which target, among other things, oil shipments and remittances). In addition, the purpose of these latter sanctions is also to appeal to the conservative voters of the Cuban-, Nicaraguan- and Venezuelan-American communities in south Florida ahead of the 2020 U.S. presidential election. The administration's 'maximum pressure' strategy

will no doubt lead to further sanctions ahead of elections and thereafter. Although many sanctions levied against individuals in Latin America have little or no effect on U.S. companies doing business in Latin America, the aggressiveness of the current sanctions

“ I believe that a Biden administration would return to promoting U.S. interests and values in Latin America through diplomacy and engagement...”

— Angela Mariana Freyre

regime casts a chilling effect on the investment environment and particularly on financial institutions, which are critical to U.S. companies doing business in the region. Particularly, the secondary sanctions create an in terrorem effect on trade and investment. I believe that a Biden administration would return to promoting U.S. interests and values in Latin America through diplomacy and engagement and that a reversal of the current sanctions would be a very important first step in repairing the damage inflicted by such sanctions as well as our relations throughout Latin America. We know that the only sanctions that actually work are those that are principled and garner the support of others through diplomacy and engagement."

A **Jim Kolbe, senior transatlantic fellow at the German Marshall Fund of the United States and former member of U.S. House of Representatives (R-Ariz.):** "The effectiveness of sanctions rests on two requirements. The first is an asymmetrical balance of power between the country initiating the sanctions and the country being sanctioned. The second requirement is the willingness of other countries to fall in line and enforce the sanctions as they are levied. Sanctions

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were effective in changing South Africa's government four decades ago. They were overwhelming in their force and almost universally accepted and enforced by the world community. However, sanctions against North Korea's 'hermit kingdom' have been ineffectual, both because the isolation of the country makes them nearly immune to outside pressure and because China has been unwilling to enforce sanctions. In Latin America, sanctions almost universally adhered to were instrumental in bringing an end to the Pinochet regime in 1990. Conversely, a half century of sanctions against Cuba have proven ineffective in bringing about any meaningful change in their political system. A cursory review of sanctions imposed by the United States will show that they have been widely used by presidents and Congresses of both political parties. Once sanctions are in place, a change of administrations usually does not result in altering their status. They take on a life of their own and are not likely to be dismantled until there is a fundamental shift in the political relationship. Regardless of whether January 2021 brings either a new Biden administration to Washington or a continuance of the Trump presidency, there is not likely to be any major change in sanctions already in place against Cuba, Nicaragua or Venezuela."

A **Julia Buxton, professor of comparative politics at the School of Public Policy of Central European University in Budapest:** "Sanctions are rarely effective. Where they have instrumentalized change, this has been predicated on credible evidence of responsibility for the sanctioned action, initiation and oversight by legitimate actors and interlocutors, and broad support from the international or local community. The use of sanctions by the Trump administration has been excessive and rarely met these

requirements. They have been a tool of first rather than last resort, and this has degraded their effectiveness. Sanctions have been a mechanism for bypassing more complex, professional processes of diplomatic engagement and persuasion. In their volume, they speak of a petulant and disorganized

“The use of sanctions by the Trump administration has been excessive...”

— Julia Buxton

approach to foreign affairs, and the primacy of 'transactionalism'—engagement for the benefit of certain U.S. corporate, private and political interests—not the promotion of a normative, universal good. Wide ranging sanctions, as in Venezuela, have been imposed without assessment of social impact, they have increased the costs of reconstruction, exacerbated polarization and encouraged closer ties to Russia and China. Where the focus of sanctions in the region has been on individuals, they have had negligible effect and not addressed deeper structural problems. The persistence of such an ad hoc and unilateral approach under a re-elected Trump presidency will have diminishing returns. The costs to U.S. business will be confusion in the operating environment (Citigo is a paradigm of sanctions incoherence) and elevated anti-Americanism. Rebuilding the State Department and U.S. diplomatic capacity has the potential to redress the negative and counterproductive impacts of Trump's sanctions promiscuity. It should be a priority for Biden."

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

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