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## FEATURED Q&A

# What Challenges Await Honduras' Next President?



Leftist Xiomara Castro, the wife of former President Manuel Zelaya, declared victory on Sunday as preliminary results showed her decisively winning Honduras' presidential election. // File Photo: Castro Campaign.

**Q** Leftist Honduran presidential candidate and former First Lady Xiomara Castro declared victory on Sunday as preliminary vote totals showed her winning decisively against her opponent, conservative Tegucigalpa Mayor Nasry Asfura. Castro, who is set to become the Central American country's first female president, told supporters she will form "a government of reconciliation, a government of peace and justice." To what can Castro attribute her victory, and will there be an orderly transition of power? What are the main challenges she faces as president, and what policy agenda will she pursue? What would a Castro presidency mean for Honduras' relations with other countries in the hemisphere, such as the United States and Venezuela? What would Honduras establishing formal relations with China, as Castro has vowed to do, mean for the Central American nation?

**A** Luis Suazo, Honduras' ambassador to the United States: "Regardless of who becomes president, we must aspire to values of reconciliation, peace and justice as well as permanent action on the agenda of the new administration, as the current context of social polarization demands. This is what Honduras needs. An orderly transition of power characterizes governments that are truly responsible for the administration of state assets. In that sense, President Hernández, with the support of the United Nations, has begun a transition process, without regard to who will finally assume the country's direction. It is the right thing to do. In foreign policy, the alignment with one of the great hegemonic blocs of political and economic power, as well

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### ECONOMIC

## Ecuador's Lasso Orders Tax Reform Into Law

Ecuadorian President Guillermo Lasso ordered a controversial tax reform to become law after legislators failed to either block or pass it last week.

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### BUSINESS

## Rosatom Unit to Develop Argentina Lithium Deposit

Uranium One, a subsidiary of Russian state nuclear firm Rosatom, has signed a deal to form a joint venture in order to develop a lithium deposit in Argentina.

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### POLITICAL

## Venezuela Justices Bar Gubernatorial Candidate From Taking Office

Venezuela's Supreme Court barred opposition candidate Freddy Superlano, who had claimed victory in the gubernatorial race in Barinas state, from taking office. The state is a ruling-party stronghold.

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Superlano // File Photo: @freddysuperlano via Twitter.

## POLITICAL NEWS

## Venezuela Justices Bar Candidate From Taking Office

Venezuela's Supreme Court on Monday barred the opposition candidate who claimed victory in the Nov. 21 gubernatorial election in Barinas state from taking office, saying there were pending criminal charges against him, The Wall Street Journal reported. The Supreme Court also ordered a redo of the election in the state, a ruling party stronghold, Reuters reported. The opposition candidate, Freddy Superlano, had claimed victory against the ruling party's Argenis Chávez, the state's current governor and brother of late President Hugo Chávez. An initial report declared Chávez to have won the election, but election authorities later said the vote was close and that the governor's race was still in dispute, the wire service reported. The race is symbolically significant as Hugo Chávez was born in Barinas state. In recent days, allies of President Nicolás Maduro have said they would not allow a loss in Barinas state because of its ties to Hugo Chávez. The late president's father and another of his brothers were former governors of the state, which the Chávez family has controlled since 1999, The Wall Street Journal reported. "This

has a spiritual value for us," senior Socialist Party leader Diosdado Cabello said in a speech Saturday on state television, The Wall Street Journal reported. "We don't care what anyone says." Critics of the ruling party called the Supreme Court's action a brazen move to steal the election. "The regime is exposed for what it is, a vulgar dictatorship that snatches the will of the people who expressed themselves," opposition leader Juan Guaidó said in a tweet. [Editor's note: See [Q&A](#) on Venezuela's local and regional elections in Monday's Advisor.]

## ECONOMIC NEWS

## Ecuador's Lasso Orders Controversial Tax Reform Into Law

Ecuadorean President Guillermo Lasso on Monday ordered a controversial tax reform into law after legislators failed to block or pass the bill last week, Reuters reported. Lasso's government had proposed the legislation in October, giving lawmakers 30 days to process it. The 137 members of Ecuador's National Assembly failed to secure the 70 necessary votes to approve or deny the proposal. "The National Assembly confirmed that none of the motions considered to deal with the document

## NEWS BRIEFS

## Barbados Becomes Republic, Swears in Mason as President

Barbados on Monday officially removed Queen Elizabeth II as its head of state, becoming the world's newest republic, BBC News reported. In an overnight ceremony in the capital city of Bridgetown, Dame Sandra Mason was sworn in as the country's president. The event, which Britain's Prince Charles attended, coincided with Barbados' 55th anniversary of independence. Mason, 72, has been the Caribbean island's governor-general since 2018. She was named president-elect following a vote in parliament last month.

## Brazil's 2TM Raises Additional \$50 Million in Funding Round

The owner of Brazil's largest cryptocurrency brokerage, São Paulo-based 2TM Participações, has raised an additional \$50.3 million in a second closing of its Series B funding round, CoinDesk reported today. In the round's first closing in June, the company raised \$200 million. New investors in the latest closing include private equity group 10T.

## Mexico's Aplazo Raises \$27 Million in Series A Funding Round

Mexico-based buy now, pay later platform Aplazo has raised \$27 million in a Series A round, Pulse 2.0 reported Monday. The round was led by Oak HC/FT and included participation from previous investors Kaszek and Picus Capital. The latest funding round comes just four months after Aplazo raised \$5.25 million in seed funding. The company is planning to earmark the funds from the Series A round to accelerate growth, including by boosting investment in talent across product, engineering, sales and merchant success, according to the report.

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as with other satellite nations or those that articulate that relationship, normally arouses the suspicion of one power bloc or another. It would not be surprising that the probable establishment of formal relations with China in the event that Xiomara Castro de Zelaya assumes power would lead to a reconfiguration of our country's relations with the United States. Our country's 80-year friendship with Taiwan, which the current government has profoundly valued, as well as our relations with Israel, come into play. This is especially true considering U.S. concerns with regard to these two nations."



**Roberto Flores Bermúdez, former Honduran foreign minister:** "There were three defining factors for Ms. Castro's victory:

governance, 12 years of wear and tear of successive National Party administrations and demographic changes in the electorate. The main issue was the compromised independence of the branches of government—which allowed for self-interested interpretations of the Constitution regarding re-election, the softening of penalties for public servants' accountability and abuse of power, and the perception of impunity

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had the necessary votes for its approval; therefore, according to the constitution, the bill sent by the executive will enter into force," the presidency said in a statement, the wire service reported. Among other measures, the reform increases tax contributions from companies with assets worth more than \$5 million and to the top 4 percent of the economically active population. The administration is looking to raise an additional \$1.9 billion in tax during the reform's first two years. The overhaul is also part of Lasso's renegotiated deal with the International Monetary Fund, which is expected to review Ecuador's economic program by the end of the year, Reuters reported. Opposition legislators blasted Lasso's latest move, with Salvador Quishpe of the Pachakutik party writing on Twitter, "Laws cannot be passed like this." He also called for the National Assembly to overturn the reform. "For the fiscal measures to be effective in stabilizing public finances, sustainable economic growth will need to be supportive of government revenues," Jaime Reusche, vice president in the Sovereign Risk Group at Moody's Investors Service, told the Advisor in a [Q&A](#) published Sept. 17.

## BUSINESS NEWS

### Rosatom Subsidiary to Develop Argentina Lithium Deposit

Russia's Uranium One, a subsidiary of state nuclear firm Rosatom, has signed a deal to form a joint venture to develop a Tolillar lithium deposit in Argentina, Uranium One said in a statement on Monday, Reuters reported. Argentina, which is part of South America's so-called Lithium Triangle alongside Chile and Bolivia, is looking to boost production of the metal, whose global demand is surging amid an accelerated transition toward electric vehicles. Lithium is a key component of the batteries used to power such vehicles. "Global demand for lithium could grow by more than 40 times by 2040 to meet climate commitments, and Argentina is well placed to benefit from that," Patricia I. Vásquez, global fellow

## THE DIALOGUE CONTINUES

### Will the Recent 5G Auction Lead to Big Advances for Brazil?

**Q** **Brazil this month raised \$8.5 billion worth of license payments and investment commitments in its long-delayed 5G spectrum auction, making it by far the country's largest-ever telecommunications tender. Claro Brasil, Telefônica Brasil, or Vivo, and TIM Brasil were among the biggest winners of spectrum. How successful was the auction for Brazil, and what is the significance of which companies had winning bids? What benefits will the spectrum awards and investment bring to Brazilian consumers as the country it rolls out 5G, and what regulatory changes need to be in place in order for Brazil's digital economy to make the most of new technologies and flourish?**

**A** **Peter Sufrin, independent Washington-based analyst:** "The November 5G auction may prove to be pivotal for Brazilian politics, defining Bolsonaro's political and economic destiny for the next several months and possibly until the end of his tenure. Addressing the business and societal agenda while also attempting to enhance its international prestige, the current government is using 5G technology to advance the goals of domestic prosperity in banking, manufacturing, infrastructure, telecommunications, health care and education, while at the same time promoting Brazil's economic integration and status abroad. Coordinated by Communications Minister Fábio Faria, the implementation of 5G technology can ultimately be seen as a testament to the fragility of Bolsonaro's maintenance of power.

at the Wilson Center, recently told the Energy Advisor. Under the deal, Rosatom will acquire a 15 percent stake in Alpha One Lithium, which owns a project firm holding right to develop the Argentine deposit, for \$30 million. Alpha Lith-

ium Corporation will keep the remaining stake in the project. "Lithium is an essential material for the provision of resources for the green economy of the future," Uranium One said in a statement, Reuters reported.

Despite the decided victory of the auction, the Brazilian president still needs to direct his country's policy of attracting foreign investment and forming alliances with Europe, the United States and Asia. Furthermore, competition between the United States and China leaves Brazil vulnerable to the vagaries of realpolitik, as demonstrated by U.S. criticism of Huawei's potential participation in the auction, and the subsequent diplomatic pressure that Itamaraty must exert if Brazil is to compete internationally. With João Doria pushing for 5G antenna installation in an effort to enhance his run for the presidency in 2022, Bolsonaro may face a serious challenge to the maintenance of his political power. But ultimately, it is the needs of the Brazilian people that are at stake. 5G technology may not eliminate the disparity between the urban rich and rural poor, but it could provide significant advances for Brazil's remote population, of which about 20 percent has no access to the Internet. Personalized medicine, schooling, agribusiness productivity and Amazon inclusion all highlight this important agenda. If Bolsonaro is to recover from his low approval ratings and have a shot at re-election in 2022, he will need to confront the fundamental demands of his populace, which seeks progress with the basic challenges that 5G technology addresses. The November auction was a case in point."

**EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Nov. 18 issue of the Advisor.**

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concerning government officials. This issue was accompanied by high-profile corruption cases involving the social security system and the purchase of mobile hospitals and materials to alleviate the effects of the pandemic. Human rights issues, narcotrafficking and money laundering also played a role. A violence-free transition is the most probable scenario. The losing parties have presented no significant fraud claims, as was the case in the past. The incoming administration faces substantial challenges. They involve economic recovery, social development, the fight against corruption and narco-activity

“A violence-free transition is the most probable scenario.”

— Roberto Flores Bermúdez

and international prestige and credibility. Even though the country's macroeconomic figures are healthy, the budget deficit is high. My impression concerning the incoming administration's foreign policy is of a 'new openness.' This would mean the country availing itself of global opportunities in pursuit of its national interest. The partnership with the United States will remain intact with improvements on the horizon. The appointment of the new U.S. ambassador to Honduras signals a new interest in its bilateral relationship, which should further facilitate an important dialogue between the two countries. The common agenda is a powerful one for both countries, with immigration at the top of the list. The relationship of the Libre party's key players with the government of Hugo Chávez during the Zelaya administration and after could point to a significant connection with Venezuela. The risks of shifting diplomatic ties to China include getting caught in the middle of a growing polarized world order, China not meeting expectations in development co-operation, Honduras' productive sector not

being able and ready to access China's vast market with efficacy and losing development assistance from Taiwan.”

**A** Hugo Llorens, former U.S. ambassador to Honduras: “The National Elections Council, the political parties and the Honduran people delivered impeccable presidential and congressional elections on Sunday. The final tally should come as no surprise to anyone who has been watching local political developments in the recent and not so recent past. The results reflect Honduras' rejection of the failed and corrupt government of President Hernández. The tainted elections in 2013 and 2017, and Hernández's manipulation of the judicial system to allow him to run for an unconstitutional second term (with U.S. acquiescence), all undermined citizens' faith in the traditional political parties. No doubt, the economic devastation of the Covid pandemic and Hurricanes Eta and Iota also contributed to the result. While Castro is talking reconciliation, the reality is that she has been given an overwhelming mandate to implement major changes in the socioeconomic and foreign policy models. No doubt, the new Libre government will seek to diversify Honduras' foreign policy portfolio. She will move quickly to recognize China, edge closer to Venezuela and, gently at first but more forcefully later, seek some distance in U.S.-Honduran relations. Both the Obama and Trump administrations badly miscalculated on Honduras. We have been obsessive and hubristic in pursuing single agency issues, such as law enforcement and immigration, at the expense of the broader governance, trade and investment relations. The fact that we have had no serving ambassador in Tegucigalpa since 2017 is very revealing. The Biden administration must now adopt a prudent approach toward Honduras and understand that we must now be ready to compete.”

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