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FEATURED Q&A

Will Suriname's New Debt Deal Help Its Economy Grow?



The government of Suriname's president, Chan Santokhi, last month struck a debt restructuring deal with the Paris Club. // File Photo: Government of Suriname.

Q Suriname and the Paris Club of creditor nations last month reached an agreement on restructuring the country's external public debt. The deal will allow the creditor nations to eventually take voluntary and bilateral actions to support Suriname's efforts involving environmental, social and governance (ESG) goals, the Paris Club said. How important is this deal for Suriname, and what will it mean for the South American country's economy and ESG ambitions? How well are Suriname's president, Chan Santokhi, and the country's central bank managing the country's economy? What are the most important factors driving Suriname's newfound oil and gas deposits, and what headwinds does the administration face in getting Suriname on a sustainable economic footing?

A Scott MacDonald, chief economist at Smith's Research and Gratings and fellow at the Caribbean Policy Consortium: "In July, protesters attempted to storm President Santokhi's office. Social tensions have long simmered under the country's surface, especially since 2020 when the country went through a close election and the economy slipped into a prolonged recession from which it has yet to fully emerge. To deal with the problems it inherited from the Bouterse government, Santokhi made a deal with the International Monetary Fund last December. Suriname's IMF program remains on track, but the tough austerity measures (including the slashing of government subsidies on utilities) have hurt. The Russo-Ukraine War is only worsening economic conditions. To this backdrop, there is resentment over the president's more international profile: should money be spent on President

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TODAY'S NEWS

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Colombia Peace Tribunal Charges 19 Soldiers With War Crimes

The special tribunal that is probing atrocities that happened during Colombia's armed conflict charged 19 soldiers in connection with the killings of more than 300 civilians between 2005 and 2008.

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Bitso Reaches One Million Users in Brazil a Year Following Launch

Mexican cryptocurrency exchange Bitso has reached one million users in Brazil a year after being launched in the South American country, according to its CEO.

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ECONOMIC

Guyana Looks to Auction to Attract New Players

Guyanese President Irfaan Ali said the country is expecting its upcoming oil and gas auction to bring more companies into its energy industry.

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Ali // File Photo: Guyanese Government.

POLITICAL NEWS

Colombia Peace Tribunal Charges 19 With War Crimes

The special tribunal that is probing rights violations that happened during Colombia's decades-long armed conflict on Monday charged 19 soldiers with war crimes and crimes against humanity in connection with the killings of 303 people, mainly civilians, from 2005 to 2008, Agence France-Presse reported. The Special Jurisdiction for Peace tribunal said it had collected ample evidence to file the

The accused include a retired general and five retired colonels.

charges against the soldiers, who include a retired general and five retired colonels, as well as an intelligence agent and two civilians, the wire service reported. The killings were known as "false positives," in which members of the military killed civilians and then passed them off as guerrilla fighters in order to inflate the number of rebels killed during the conflict, AFP reported. The magistrates of the tribunal said the soldiers were part of the 16th Brigade in which a "criminal organization" killed civilians and deliberately misidentified them as guerrilla fighters who "had fallen in combat." In exchange for the killings, the soldiers reportedly received benefits such as help in securing promotions, as well as "permits, special food, holiday plans, training classes abroad and recognition," the tribunal said. Between 2002 and 2008, during the presidency of Álvaro Uribe, Colombia's military was responsible for more than 6,400 killings, according to the tribunal. The people who stand accused can confess and avoid prison time by making reparations to victims; otherwise, the accused face up to 20 years in jail, AFP reported. The tribunal was

established after Colombia's government and the Revolutionary Armed Forces of Colombia, or FARC, rebels signed a peace accord in 2016. The charges against the soldiers came nearly a month after Colombia's Truth Commission published a nearly 900-page report on the decades-long armed conflict. The report concluded that the vast majority of the victims of the conflict were civilians, CNN reported. More than 260,000 civilians were killed during the conflict, according to the National Center for Historical Memory. "The report focuses on presenting the truth from the victims' perspectives and highlights the costs the political conflict placed on civilian populations with differentiated women's, Afro-Colombian, Indigenous, gender and LGBTQ perspectives," Gimena Sánchez-Garzoli, director for the Andes at the Washington Office on Latin America, told the Advisor in a [Q&A](#) published July 13.

ECONOMIC NEWS

Guyana Looks to Oil Auction to Attract New Players

Guyanese President Irfaan Ali on Monday said that the country is expecting an upcoming oil and gas auction to bring new companies into its energy industry, Reuters reported. "We are hoping that the participants in the auction ... will add diversification," Ali told the wire service in an interview. Guyana's energy sector for years has been dominated by U.S.-based ExxonMobil and its partners. Ali is on his first official trip to the United States, and he is attending meetings with government officials and think tanks in Washington, the wire service reported. The president said that he is expecting to discuss climate change, food security and investment opportunities and financing, among other issues. "While Guyana is an emerging hydrocarbon market, our economy will not be hydrocarbon-based," Ali told the Atlantic Council on Monday, Bloomberg News reported. The International Monetary Fund is estimating that the Guyanese economy will grow 47

NEWS BRIEFS

Guatemalan President Meets With Ukraine's Zelensky in Kyiv

Guatemalan President Alejandro Giammattei on Monday visited Ukraine to meet with President Volodymyr Zelensky at the Ukrainian leader's invitation to view the damage left behind by Russia's invasion of the country, the Guatemalan government said, Agence France-Presse reported. Giammattei had closed Guatemala's embassy in Moscow following the beginning of the war in February.

Panama to Regulate Prices of 72 Food Items

Panamanian President Laurentino Cortizo's government is set to regulate the prices of 72 food items after weeks of demonstrations and street blockades, the president's office announced Monday, Reuters reported. Protesters have been demanding government measures to address the rising cost of living in the Central American country. The decision is a result of an agreement between the government and powerful Panamanian unions. The price regulation of the products will allow for the basic food basket's cost to decrease by 30 percent, saving approximately \$80, the statement said.

Argentina's New Economy Minister Meets With IMF Chief in Washington

Silvina Batakis, Argentina's new economy minister, on Monday attended high-level finance meetings in Washington with U.S. officials and international lenders, including IMF Managing Director Kristalina Georgieva, Reuters reported. Argentina in March came to a \$44 billion debt agreement with the IMF, an effort largely led by Martín Guzmán, Argentina's former economy minister who unexpectedly resigned earlier this month. In a Twitter posting, Georgieva praised Batakis' "initial efforts to strengthen fiscal sustainability," Reuters reported.

percent by the end of this year due to increased oil exploration and findings. The government estimates that Guyana will reach output of approximately 800,000 barrels per day by 2025, the news service reported. Guyana is not currently considering joining the Organization of the Petroleum Exporting Countries, or OPEC, Reuters reported. [Editor's note: See [Q&A](#) on Guyana's oil industry in the May 6 issue of the Dialogue's weekly Energy Advisor.]

BUSINESS NEWS

Bitso Reaches 1 Mn Users in Brazil a Year Following Launch

Bitso, a Mexican cryptocurrency exchange, has reached one million users in Brazil a year after its launch in the South American country, the company's Brazil chief told Reuters in an interview published Monday. "We beat one million users in Brazil earlier than expected, and our transaction volumes grew by 66 percent in June from May," said Thales Freitas, Bitso's Brazil chief. By the middle of last year, Bitso had secured seven funding rounds that totaled \$314 million, pushing the company's value to more than \$2 billion and making it Latin America's first crypto unicorn, Business Insider reported. The company has approximately five million users in Argentina, Brazil and Colombia, and it is one of the only internationally regulated cryptocurrency platforms in the region, Business Insider reported. Freitas told Reuters that July is showing higher readings than June, though he did not report exact figures. Brazil's chief has had the goal of pushing Bitso through a context of higher interest rates and acute asset volatility, the wire service reported. To achieve the goal, the company boosted its incentive program by offering returns of up to 15 percent per year in digital currencies pegged to traditional assets, or stablecoins. [Editor's note: See [Q&A](#) on new rules governing cryptocurrencies in Brazil in the March 24-April 6 issue of the Dialogue's biweekly Financial Services Advisor.]

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Santokhi jetting off to a Mercosur summit in Paraguay when his fellow citizens are feeling pain in their pocketbooks? In this, the government appears to have failed to communicate how the reforms will improve economic conditions in the long term. Another reason behind Suriname's unrest is corruption. Although Santokhi's government was elected to introduce better governance, reforms have run into coalition politics, a longstanding practice of patronage for government jobs and a slow economic recovery, while new scandals have arisen, one involving the Ministry of Finance and Planning. Adding fuel to the fire are the many positions being held by family members of the ruling coalition. Despite the public turmoil, the Santokhi government has made progress with economic reforms, expanded Suriname's international engagement, is exploring how to make the oil industry a new locomotive for growth, and is working its way through debt negotiations to clear the credit slate. The challenge ahead requires better communication of government economic policies, a cabinet reshuffle, renewed vigor on governance reforms and a reduced role of friends and family of high-ranking government officials."

A Theodore Kahn, senior analyst in the Global Risk Analysis team at Control Risks in Bogotá:

"President Santokhi took office in July 2020 amid a severe economic contraction and ballooning public debt, forcing him to turn to the IMF for help. It was never going to be easy to meet the ambitious fiscal targets—which require major subsidy cuts and new taxes—laid out in the three-year \$688 million deal signed with the fund last December. Despite progress in 2021, the reform agenda is now facing serious headwinds. Amid a rising cost of living, the government postponed subsidy cuts earlier this year and delayed the rollout of a new value-added tax, which was scheduled for July 1. A string of scandals involving nepotism and favoritism added to Santokhi's

woes. Discontent was already high when reports of a corruption ring at the Ministry of Finance surfaced recently. That revelation sparked daily antigovernment protests, the largest since Santokhi took office. To quell the protest, the government will probably have to further sacrifice fiscal goals. The IMF has taken notice: its Executive Board last month delayed final approval for the second tranche of financing. Against this backdrop, the Paris Club restructuring is much-needed good news but should be kept in perspective. Suriname's Paris Club debt represents 2 percent of GDP, while Chinese debt accounts for 17 percent. Santokhi will likely muddle through, and the fund will show forbearance. Offshore oil reserves will brighten the medium-term fiscal outlook, but with first oil not expected until 2025, they will not resolve immediate challenges."

A Arthur Deakin, director of energy at Americas Market Intelligence: "Analysts covering Suriname are holding their breath for a Final Investment Decision (FID) on Block 58. A decision was expected by the end of 2021, but it has now been pushed to the end of 2022 as TotalEnergies continues its exploration and appraisal work. AMI expects an FID to happen no sooner than this year's fourth quarter, with first oil being pushed back to 2026. With these continued delays, Suriname is flirting dangerously close with the energy transition and may experience challenges raising capital for its oil and gas developments. This will directly affect private bondholders and external creditors, who have agreed to a value recovery mechanism that will compensate their nominal losses using a portion of future oil and gas revenues. Suriname's future economic growth is also directly tied to its ability to capitalize on these resources. LNG export terminals, warehouses for oil equipment and land infrastructure may all be at risk. The good news is that Suriname's findings seem to be mostly gas (especially in

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Block 52), providing a slight advantage over the 80 percent crude oil found in Guyana's Stabroek block. The Paris agreement will also allow Suriname to postpone some of its debt payments, providing some much-needed breathing room to tidy its financial health while sustaining social spending. Although Suriname's exploration has been overshadowed by Guyana's success, if 50 percent of its estimated resources are gas, AMI predicts that it could be producing 75 billion cubic meters of gas per year, equivalent to roughly 50 percent of Russia's supply to Europe."

A **Steven Debipersad, lecturer at Anton de Kom University of Suriname:** "Paris Club creditors agreed with Suriname on June 22 to a restructuring of its external public debt. This agreement follows the financing assurances provided by the Paris Club creditors last September consistent with IMF program parameters with respect to long-term debt sustainability. The rescheduling is conducted under the following terms: ODA claims are to be repaid over 20 years (including seven years of grace) and non-ODA claims are to be repaid over 15 years (including eight years of grace). Under this

agreement, all existing arrears as of the end of 2021 will be repaid in two installments—one in 2022 and another in 2024. This debt treatment will eventually allow the creditors to make additional efforts including through the conclusion of debt swaps to support Suriname's efforts in favor of environmental, social and governance goals. The total stock of Suriname's debt was estimated as of end 2021 to be \$3.38 billion with \$98.3 million of debt stock owed to the Paris Club. As a result of this restructuring, Suriname will have to pay a total of \$34 million less in interest and repayments over the next three years. This gives more space to consolidate the recovery of the economy. Although the IMF is generally positive about the economic performance, Suriname missed out on the latest financial disbursement by the fund in June. As of July 18, street protesters, still in small numbers, demand a policy change by president Santokhi. For now, the positive prospects from oil discoveries are not enough to allay their concerns and to settle growing discontent."

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

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