

## BOARD OF ADVISORS

**Diego Arria**  
Director, Columbus Group

**Merike Blofield**  
Director, Institute for Latin American Studies, GIGA

**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 (McDonald's)

**Peter Hakim**  
President Emeritus, Inter-American Dialogue

**Donna Hrinak**  
Senior VP, Corporate Affairs, Royal Caribbean Group

**Jon E. Huenemann**  
Council Member, GLG Inc.

**James R. Jones**  
Chairman, Monarch Global Strategies

**Craig A. Kelly**  
Senior Director, Int'l Gov't Relations, Exxon Mobil

**Barbara Kotschwar**  
Executive Director, Visa Economic Empowerment Institute

**John Maisto**  
Director, U.S. Education Finance Group

**Nicolás Mariscal**  
Chairman, Grupo Marhnos

**Thomas F. McLarty III**  
Chairman, McLarty Associates

**Beatrice Rangel**  
Director, AMLA Consulting LLC

**Ernesto Revilla**  
Head of Latin American Economics, Citi

**Gustavo Roosen**  
President, IESA

**Andrés Rozental**  
President, Rozental & Asociados

**Shelly Shetty**  
Managing Director, Sovereigns Fitch Ratings

## FEATURED Q&A

# What Will Cuba's Currency-Buying Plan Accomplish?



Cuban central bank chief Marta Wilson González announced this month that the government would buy U.S. dollars and other foreign currencies at some five times the official rate. // File Photo: Juventud Rebelde.

**Q** The president of Cuba's central bank, Marta Wilson González, announced on Aug. 3 that the government would begin buying dollars and other convertible currencies at some five times the official rate in an effort to disrupt the informal money market. How big of a problem is the informal money market for Cuba's economy? Why has Cuba's government decided to take this action, and what will be its economic effects? Who will benefit from the move, and for whom will it be detrimental?

**A** Pavel Vidal, professor in the Department of Economics at Pontifical Xavierian University in Cali, Colombia and former analyst in the monetary policy division at the Central Bank of Cuba: "The Central Bank of Cuba recognized the peso devaluation that had been occurring in the informal market since 2019. It defined 120 as the new official peso-dollar exchange rate, abandoning the unified official exchange rate of 24, which was one of the primary objectives of the 2021 monetary reform. The positive aspect of the announcement is that private companies and cooperatives will be able to make formal transactions at the new exchange rate. Banks will exchange physical dollars and foreign currency transfers from abroad at 120, which unblocks one of the main impediments to the arrival of remittances through formal financial channels. It is also favorable for tourism, as foreign visitors will be able to formally exchange their foreign currency at a higher exchange rate. The most worrying aspect is that the government seeks to obtain a net surplus in dollars in its favor from this exchange market, which is highly inflationary as it causes an additional issuance

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Colombia's ELN Frees Six Ahead of Planned Talks

Colombia's National Liberation Army, or ELN, rebels announced that they had freed six captives in a goodwill gesture ahead of planned peace talks with the government.

Page 2

### BUSINESS

## Petroecuador's Board Taps Aguiar as New CEO

The board of Ecuadorean state oil company Petroecuador named Hugo Aguiar, the country's deputy hydrocarbons minister, as the company's new CEO.

Page 3

### POLITICAL

## Mexican Official Faults Gov't in Disappearance of 43 Students

Politicians at all levels of government bear blame in the case of the 43 students who disappeared in Mexico in 2014, said Alejandro Encinas, the country's top human rights official.

Page 2



Encinas // File Photo: Mexican Senate.

## POLITICAL NEWS

## Colombia's ELN Frees Six Captives Ahead of Talks

Colombia's National Liberation Army, or ELN, on Thursday announced that it had freed six members of the country's security forces who had been held captive, a move that the rebel group said was a goodwill gesture ahead of planned talks with the new government of President Gustavo Petro, the Associated Press reported. The men's release was a "unilateral humanitarian gesture," the ELN said in a statement. Colombia's ombudsman's office confirmed that the rebels had released two military officers, three soldiers and a police officer, the AP reported. The office said it would continue to work for the release of captives held by armed groups in Colombia. Representatives of the government and the ELN met last week in Havana to discuss resuming talks that broke down three years ago after the ELN bombed a police academy in Bogotá in 2019, leaving more than 20 cadets dead. After last week's meeting, Colombia's national peace commissioner, Danilo Rueda, expressed a belief that the ELN has "the same desire for peace as the Colombian government," The Guardian reported.

## Official Faults Gov't in Disappearance of 43 Students in Mexico

Mexico's government engaged in cover-ups following the 2014 disappearance of 43 students in Mexico, the country's top human rights official said Thursday, adding that local, state and federal leaders' actions at the time amounted to a "state crime," Reuters reported. The human rights official, Alejandro Encinas, said the government of then-President Enrique Peña Nieto "concealed the truth of the facts, altered crime scenes [and] covered up the links between authorities with a criminal group," the

wire service reported. One of the 43 students, who vanished from the southwestern city of Iguala in September 2014, was a military informant, said Encinas. However, he added that authorities failed to follow their protocol for finding missing soldiers. If they had, "the disappearance and murder of the students would have been prevented," Encinas said. Although authorities carried out extensive searches following the students' disappearance, the remains of only three have been identified. Encinas said Thursday that there is no indication that any of the students survived. "All the testimonies and evidence prove that they were cunningly killed and disappeared," he said. Peña Nieto's administration in 2015 concluded that a drug gang killed the students, incinerated their remains at a dump and threw them into a river, the Associated Press reported. At the time, the government said the students had been mistaken for members of a rival group, Reuters reported.

## ECONOMIC NEWS

## Colombia Eyes Measures to Curtail Rising Indebtedness

Colombia's financial regulator is considering measures aimed at curtailing increasing household indebtedness amid concerns about the impact of inflation and higher interest rates on capacity for repayment, Reuters reported Wednesday. The country's financial superintendent, Jorge Castaño, spoke at a banking convention in Cartagena, where he warned about two specific trends: increasing consumer credit limits and longer term loans, according to local news station La FM. Consumer credit has shot up more than 22 percent as the economy has recovered, higher than the long-term average of 8 to 9 percent, while the amount of credit available on credit cards has reached 96 trillion pesos (\$22.7 billion), compared to its pre-pandemic level of 62 billion pesos, Reuters reported. Meanwhile, repayment periods on loans are beginning to exceed eight years or

## NEWS BRIEFS

## Paraguayan Vice President Backtracks on Resignation

Paraguayan Vice President Hugo Velázquez Moreno on Thursday said he plans to stay in the post, reversing a previous statement that he would resign following his placement on a U.S. corruption list for alleged bribery, the Associated Press reported. Velázquez, who has denied any wrongdoing, said he changed his mind after confirming that the local attorney general's office does not have an open investigation into him, adding that he is seeking further information about the allegations from the U.S. government.

## Guatemalan Anti-Graft Official to Leave Post as Five-Year Term Ends

Guatemalan human rights prosecutor Jordán Rodas Andrade will leave his post on Saturday when his five-year term ends, the Associated Press reported yesterday. During his tenure, Rodas' anti-corruption investigations regularly brought him into conflict with the country's presidents and other high-level politicians, and his departure is the latest in a string of departures of anti-corruption figures from the government. Rodas will be replaced by Alejandro Córdova, who has the support of the governing party.

## Mexican Digital Banking Platform Covalto to List on Nasdaq Exchange

Mexican digital banking provider Covalto, formerly known as Credijusto, announced Thursday that it will list its shares on the Nasdaq exchange, Reuters reported. The listing, which is planned through a special purpose acquisition company, or SPAC, will mark the first time that a Mexican financial technology company is listed on a U.S. exchange, the wire service reported. The deal gives Covalto a pro-forma enterprise value of \$547 million.

more. Castaño said that this level of growth in consumer credit generates concerns about repayment. As a result, the superintendency may begin requiring financial institutions to assume financial liability for unused portions of consumer credit limits, with the aim of incentivizing banks to adjust credit limits to consumers' ability to pay, according to La FM.

## BUSINESS NEWS

# Petroecuador's Board Taps Aguiar as New Chief Executive

The board of Ecuadorean state oil company Petroecuador on Thursday announced the appointment of Deputy Hydrocarbons Minister Hugo Aguiar as its CEO, Reuters reported. Aguiar, a lawyer who previously served on the board of Ecuador's telecommunications regulator and its hydrocarbons bidding committee, replaces Ítalo Cedeño whom President Guillermo Lasso fired earlier this month after just seven months following a scandal related to alleged improper influence of his wife over personnel decisions. Cedeño had been seeking to increase the company's oil production but faced headwinds including a two-week protest led by Indigenous groups against the Ecuadorean government's economic policies. In a statement, Petroecuador said the new CEO's "objectives include the sustained and profitable increase in production, the improvement of efficiency in institutional processes and the promotion of transparency in all instances of business management." Aguiar will also oversee several ongoing processes at the state oil company, including the expansion and modernization of the country's largest refinery, efforts to reopen thousands of closed wells in the Amazon and new tenders, EFE reported. The country's most recent output goal aims to double oil and gas output to 800,000 barrels per day by 2025, Alberto Acosta Burneo, the editor of Weekly Analysis in Guayaquil, told the Dialogue's weekly Energy Advisor in a [Q&A](#) published this week.

## FEATURED Q&A / Continued from page 1

of Cuban pesos. Furthermore, the distortions and inequalities generated by multiple exchange rate schemes are well known. Still, the Cuban government insists on it, trying to avoid a more comprehensive reform of the economy."

**A** **Ricardo Torres, research fellow at the Center for Latin American and Latino Studies at American University:** "The informal market exists primarily because of the absence of a formal mechanism for the population and private firms to exchange foreign currencies. It carries the problems of any informal market: lack of regulation and transparency, scams, and so on. Beyond that, it provides buyers and sellers with an alternative to performing their operations. The Cuban government maintains it is illegal, but it has not provided a good substitute. It also blames it for the sustained depreciation of the local currency, but that reflects the ongoing economic crisis and the acute scarcity of foreign exchange, and the growing imbalance between the number of pesos and foreign currency in the domestic market. The main reason behind the decision is the need to collect at least part of the foreign exchange that remains in the hands of the population and the private sector. Hence the unusual step to kickstart the mechanism by only buying, though not at the moment selling, foreign currencies. This move reflects the severity of the crisis, and the mistakes incurred with the so-called 'Tarea Ordenamiento' in 2021. The country returns to a situation where multiple exchange rates coexist. In the short term, this step can put additional pressure on domestic prices and the peso exchange rate as the government will be extracting dollars from the open market and emitting more pesos. The stated goal of stabilizing the forex market is unlikely to be realized. The main benefit as of now is the creation of a formal and legal mechanism to sell foreign currency. That could be important for visitors without

connections in the country or those arriving in isolated enclaves. It is reassuring to sell one's money through an official mechanism, allegedly free of scams and fake banknotes. For ordinary Cubans, the benefits are not obvious right now, as the informal market will continue to exist for the foreseeable future, and the likely increase in the exchange rate adds to inflation."

**A** **José Gabilondo, professor of law and associate dean for accreditation and reporting at Florida International University:** "The new policy reflects Cuba's ambivalent relationship to the U.S. dollar and market pricing. The primary context for these purchases is Cuba's limited access to dollar markets, due to the reach of sanctions by the U.S. Office of Foreign Assets Control. Given these constraints, the purchases make

“The purchases could worsen the dollar-peso rate (and inflation)...”

— José Gabilondo

sense as a strategy for capturing dollars. The new policy reduces the circulation of dollars in nonstate hands, while funding the government's role as importer-in-chief, maintaining the split between an internal peso economy and an external dollar sector. The secondary context for these purchases is the Tarea Ordenamiento, Cuba's self-imposed structural adjustment program, begun in 2020 and implemented without the benefits and burdens of IMF-style conditionality. The Tarea tries to remake the peso into a functional form of domestic money, leaving open the relationship between its local purchasing power and its value in forex markets. In December 2020 when Cuba announced the initial dollar-peso rate (1:24), it was not clear whether or how future rates

Continued on page 4



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

would take account of informal markets. By buying dollars at or close to the peso street price, the government acquiesces somewhat in market pricing for the peso, albeit only domestically and within the parameters of its command economy. The purchases could worsen the dollar-peso rate (and inflation) to the extent that the state increases demand for the same supply of dollars. The new policy also raises the possibility of the multiple internal dollar-peso rates for state enterprises, though Cuban officials have insisted that these enterprises will still operate at the 1:24 rate.”

**A** **Jorge Sanguinety, chairman and senior advisor at DevTech Systems:** “Informal money markets can be a big problem in Cuba for politicians, but not necessarily for good government administration, because they help hide the exchange rate distortions that arise from the accumulation of bad economic policies. In fact, they can be helpful because they serve to ascertain more precisely the real economic conditions of the economy. The reason why the Cuban government is buying dollars and other convertible currencies at five times the official rate (probably close to a fair equilibrium rate) is because it is desperate to get badly needed foreign currency given the fact that the country’s reserves have reached a

dangerously low level, together with its poor international credit, a real financial perfect storm for Cuba, something rarely seen. The main economic effect can be expected to be the enabling of the Cuban government

“**The main economic effect can be expected to be the enabling of the Cuban government importers to purchase badly needed goods...**”

— Jorge Sanguinety

importers to purchase badly needed goods, such as fuel and foodstuffs, to avoid a crisis so severe that it would even reach the level of famine for some segments of the island, especially among the poorest. The beneficiaries of this move are obviously many if an economic collapse can be avoided, a condition that could also bring about an increase in the daily protests that are already taking place on the island on a daily basis and are threatening to become violent.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

**Erik Brand**

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

**Gene Kuleta**

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

**Megan Cook**

Reporter  
[mcook@thedialogue.org](mailto:mcook@thedialogue.org)



**Rebecca Bill Chavez**, President

**Bruno Binetti**, Nonresident Fellow

**Sergio Bitar**, Nonresident Senior Fellow

**Joan Caivano**, Senior Advisor

**Santiago Cantón**, Director, Rule of Law Program

**Kevin Casas-Zamora**, Nonresident Senior Fellow

**Julia Dias Leite**, Nonresident Senior Fellow

**Ariel Fiszbein**, Director, Education Program

**Sandra García Jaramillo**, Nonresident Senior Fellow

**Selina Ho**, Nonresident Senior Fellow

**Edison Lanza**, Nonresident Senior Fellow

**Nora Lustig**, Nonresident Senior Fellow

**Margaret Myers**, Director, Asia Program

**Manuel Orozco**, Director, Migration, Remittances and Development Program

**Xiaoyu Pu**, Nonresident Senior Fellow

**Jeffrey Puryear**, Senior Fellow

**Michael Shifter**, Senior Fellow

**Tamar Solnik**, Director, Finance & Administration

**Daniela Stevens**, Director, Energy, Climate Change & Extractive Industries Program

**Lisa Viscidi**, Nonresident Senior Fellow

**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)

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.

# What's Keeping You Up at Night?

The **Latin America Advisor** gets answers to the questions that informed executives are asking, every business day, so that you can rest easy.

Prospective subscribers can email [ebrand@thedialogue.org](mailto:ebrand@thedialogue.org) for complimentary preview access.

SUBSCRIBE