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Latin America Advisor

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Tuesday, March 17, 2026

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FEATURED Q&A

How Aggressively Will Brazil Lower Interest Rates?



The Brazilian central bank's monetary policy committee is meeting today and tomorrow, and analysts are expecting a cut to the benchmark Selic interest rate. // File Photo: Edson Souza via Adobe Stock.

Q Brazil's upcoming cycle of monetary easing could be shorter than expected due to escalating geopolitical tensions and upward pressure on the price of oil, Treasury Secretary Rogério Ceron said at a conference on March 2, Reuters reported. Brazil's central bank's policy committee is meeting today and tomorrow; analysts expect the central bank to cut the benchmark Selic interest rate, which has been held at a 20-year high of 15 percent since June of last year. How have this year's geopolitical developments altered Brazil's macroeconomic outlook? What would significant monetary easing mean for Latin America's largest economy? Why has Brazil's benchmark interest rate remained higher than those of economies in the region with comparable levels of inflation?

A Mariano Machado, Americas principal analyst at Verisk Maplecroft: "Geopolitics matters because it interferes with Lula's approval ratings trajectory—and approval decides elections. The country entered 2026 with the Selic rate at 15 percent, growth having slowed to 2.3 percent last year and markets projecting 1.82 percent growth for 2026; meanwhile, inflation expectations sit within the target band. On paper, that supports rate cuts. But commodity price volatility after the Iran escalation changes the picture. Fuel feeds into logistics, logistics feeds into food security, and food security feeds into approval, especially in an election year. Since 1994, every incumbent who entered the campaign with weak approval ratings lost—so keeping rates tight is increasingly more about preventing a shock in expectations. Easing, then, becomes more about avoiding a currency mistake than merely

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TODAY'S NEWS

ECONOMIC

Island-Wide Blackout Hits Cuba Amid U.S. Pressure

An island-wide blackout hit Cuba on Monday as the country continues experiencing severe fuel shortage amid U.S. restrictions on oil supplies to the island nation.

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POLITICAL

Chile's Kast Oversees Construction of Barriers at Border

New Chilean President José Antonio Kast on Monday traveled to the country's border with Peru to oversee the construction of new barriers.

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POLITICAL

Torture of Detainees Has Continued in Venezuela: Türk

Torture of detainees has continued in Venezuela despite its new amnesty law, said U.N. High Commissioner Volker Türk.

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Türk // File Photo: Bulgarian Presidency via Flickr CC BY 2.0.

ECONOMIC NEWS

Island-Wide Blackout Hits Cuba Amid Pressure From U.S.

Cuba experienced an island-wide power outage on Monday, energy ministry officials said, as the country's oil-dependent electrical grid continues to strain amid an intensifying shortage of fuel, the Associated Press reported. Just 5 percent of power utility customers in Havana saw their power restored by Monday evening, the AP reported. No single unit failed before the "complete disconnection" of Cuba's power grid, which suggests the blackout was caused by the power system's weak base generation load, Cuba's Ministry of Energy and Mines said

“I do believe I will be having the honor of taking Cuba.”

— Donald Trump

Monday on a post on social media site X. The administration of U.S. President Donald Trump has effectively implemented an oil blockade of Cuba since at least last month; Trump's threats of economic retaliation against countries trading with the communist-run island nation have led Cuba's traditional top suppliers of oil, Venezuela and Mexico, to halt all large-scale shipments of crude oil and refined fuel, The New York Times reported. Speaking to reporters in Washington on Monday, Trump said, "I think I can do anything I want with [Cuba] ... they're a very weakened nation right now," the newspaper reported. "I do believe I will be having the honor of taking Cuba," he added. Last week, Cuban officials confirmed that high-level talks with the U.S. government were in progress, Reuters reported. Later on Monday, Cuba's foreign commerce minister announced a new initiative to eliminate restrictions on foreign investment in the country, the wire service reported. The move could allow Cuban-Americans living in the United States to invest in and own businesses based in Cuba, said Oscar

Pérez-Oliva Fraga, who also serves as deputy prime minister. Infrastructure and agriculture are two areas where Cuba's government would welcome foreign investment, Pérez-Oliva Fraga added. Trump administration officials have privately said that any bilateral agreement with Cuba's government to ease the current standoff would need to include substantial economic reforms, Reuters reported. [Editor's note: See related [Q&A](#) in Monday's issue of the Advisor.]

POLITICAL NEWS

Torture of Detainees Has Continued in Venezuela: Türk

Torture of detainees has continued in Venezuela despite last month's passage of a new amnesty law, U.N. High Commissioner Volker Türk said Monday, citing information his office has received, Agence-France Presse reported. "Structural and systemic changes have persisted," Türk told the U.N. Human Rights Council in Geneva. He added that his office has "received information about the continued torture and mistreatment of detainees, including in the Rodeo 1 and Fuerte Guacaipuro centers," calling the reports "deeply concerning," AFP reported. Türk also expressed concerns about a state of emergency that Venezuela declared after U.S. forces captured President Nicolás Maduro on Jan. 3. "The security forces and armed civilian groups reportedly used this as the basis for intrusive measures, contributing to a climate of fear among the population," Türk said, adding that he urges Venezuelan authorities to "reassess the decree to ensure its necessity and proportionality." While the amnesty law had helped Venezuela in the direction of correcting "some of the wrongs of the past," he added that the law had been put into place without lawmakers adequately consulting various parts of Venezuelan society about it, AFP reported. Under pressure from the United States, Venezuela's National Assembly approved, and acting President Delcy Rodríguez signed, an amnesty measure that grants legal protections

NEWS BRIEFS

El Salvador Arbitrarily Detaining People Deported by U.S.: Report

At least 11 Salvadoran nationals who were deported from the United States last year have subsequently vanished into El Salvador's prison system after being detained by authorities in the Central American country, according to a report released Monday by Human Rights Watch. More than 9,000 Salvadorans have been deported from the United States since the beginning of President Donald Trump's second term in January of last year; 10.5 percent of them had been convicted of a violent crime in the United States, Human Rights Watch said, the Associated Press reported.

First Troops From U.N. Mission Arrive in Haiti

The first troops from a 5,550-person United Nations-authorized mission to fight gangs in Haiti are set to arrive in the beginning of April, the top U.N. human rights official for the Caribbean nation said on Monday, the Associated Press reported. The full contingent of police and military forces is set to be in place in Haiti by September, roughly one year after U.N. security council approved the plan, which was sponsored by the United States and Panama. Benin, Bangladesh and Chad have pledged to send soldiers to the gang-suppression force.

Petro Accuses Ecuador of Carrying Out Bombing in Colombia

Colombian President Gustavo Petro on Monday accused Ecuador of carrying out a bombing in his country's territory, according to Colombia Reports. "A bomb has been found" in Colombia that appeared to have been "dropped from a plane," Petro said during a televised cabinet meeting. His comments came a day after Ecuador began a two week offensive against drug traffickers in four provinces.

to people detained in connection to high-profile protests dating back to 1999. However, critics have called the measure insufficient to free hundreds of political opponents who remain behind bars in the South American country. The measure “narrowly defines eligibility, does not automatically restore political rights and lacks safeguards against renewed misuse of the justice system,” Mark Feierstein, a senior advisor at DGA-Albright Stonebridge Group, told the Advisor in a [Q&A](#) published Feb. 25. Türk told the U.N. Human Rights Council that his office has confirmed the release of about 950 people who had been arbitrarily arrested in Venezuela, though he said some were released under strict conditions, AFP reported. Venezuela’s government has claimed to have freed more than 7,000 people; Türk told the council that his office had “requested the official list of those released, as well as unfettered access to several detention centers, so far without success,” the wire service reported.

Chile’s Kast Oversees Construction of Barriers at Border

New Chilean President José Antonio Kast, who took office last week, traveled to the country’s northern border on Monday to oversee the beginning of construction of barriers designed to prevent migrants from entering the country, Bloomberg News reported. At Chile’s border with Peru, Chile’s military is digging a three-meter-deep trench in order to block vehicles from entering Chile, Bloomberg News reported. Authorities then plan to build a wall up to five meters high to deter migrants from entering. The “Escudo Fronterizo” initiative also is designed to fight transnational crime by toughening border controls, UPI reported. The plan will also extend to Chile’s border with Bolivia, UPI reported. The project could span as much as 323 miles of Chile’s border. It also includes surveillance technology such as monitoring systems and sensors, according to Radio Biobío. “We have made clear and concrete decisions to close our border to illegal immigration, drug trafficking, organized

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propelling growth. The economy clearly lost momentum in late 2025 (third-quarter growth was zero percent as compared to the second quarter, and fourth-quarter growth was 0.1 percent as compared to the third). Lower rates would ease credit conditions and support activity in the first half of this year. But nearly 48.3 percent of federal debt is indexed to the Selic rate, and gross debt is already at 78.7 percent of GDP, rising toward 82 percent. If cuts weaken the real, inflation would return quickly and interest costs would surge again. That is why Brazil runs tighter monetary policy than its peers. Headline inflation closed 2025 at 4.26 percent, and market expectations for 2026 are 3.9 percent. Many comparable economies would already be cutting aggressively, but Brazil cannot. With an effectively zero primary surplus target for 2026 and interest spending at 8.9 percent of GDP, credibility is thin. A policy misstep would hit the currency first, prices second and government approval third—and in Brazil, that sequence decides elections.”

A **Giulia Branco Spiess, senior associate in the Brazil Program at the Inter-American Dialogue:** “For Brazil, the conflict in Iran makes it extremely difficult to assess the macroeconomic outlook with any precision. In the short term, the most immediate effects appear in inflation and interest rate expectations, particularly given the weight that fuel prices carry in Brazil’s inflation in-

crime,” Kast told reporters Monday in Arica, Bloomberg News reported. “We want to warn them that Chile will confront them with the full force of the state, with the full force of the law, so there is no doubt that this will change and that we will restore security in our nation,” he added. After taking office on March 11, Kast immediately signed decrees to strengthen border security, cut Chile’s bureaucracy and audit spending, Bloomberg News reported. Hundreds of thousands of people have migrated to Chile in recent years from countries

including Peru, Haiti, Colombia and Venezuela. More than 300,000 undocumented people from other countries are believed to be living there, Bloomberg News reported. Kast, who has been described as Chile’s most right-wing president since the country’s return to democracy in 1990, had the approval of 57 percent of respondents in a Cadem poll published Sunday. That level is the highest for any Chilean president a week within taking office since 2010. Eighty percent of respondents in the survey agreed with his border control plan.

“Part of the market now expects the central bank to slow the pace of Selic cuts and adopt a more conservative approach.”

— Giulia Branco Spiess

cushion the rise in oil prices, with the fiscal impact expected to be offset by additional revenue from taxes on oil exports. Petrobras also announced that it will increase prices, since domestic prices were below import parity. At the same time, there is growing concern about the possibility of trucker protests. Given these layers of uncertainty, part of the market now expects the central bank to slow the pace of Selic cuts and adopt a more conservative approach. It is also important to consider the broader fiscal context, as higher interest rates weigh on Brazil’s public debt. Estimates suggest that if the Selic rate falls half a percentage point less than previously expected, Brazil’s gross public debt could increase by roughly 28.6 billion reais per year. Although Brazil may

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benefit to some extent from higher oil prices because it is an exporter, the additional revenue would likely not be enough to offset the higher cost of servicing public debt. Brazil's interest rates are among the highest in the world, and one commonly cited explanation is Brazil's relatively low level of domestic savings. However, more recent studies point to other structural factors, such as a more restrictive monetary policy framework, with an inflation target that is lower than necessary, and the high volatility of Brazil's exchange rate."

A Paulo Gala, professor at the São Paulo School of Economics of the Getúlio Vargas Foundation (FGV/EESP): "Brazil's monetary easing cycle may turn out to be shorter than previously expected as geopolitical tensions push oil prices toward \$100 per barrel. While the central bank is still likely to cut the Selic rate by 25 basis points at this week's meeting, the scope for further easing may become more limited. Higher oil prices have a direct inflationary impact on Brazil. If international prices remain elevated, Petrobras will likely adjust domestic fuel prices upward, which feeds quickly into the consumer price index, IPCA. As a result, inflation could move closer to 4 percent this year, above the 3 percent target, complicating the central bank's disinflation strategy. At the same time, higher oil prices also bring

positive external effects. Brazil has become a major oil exporter, producing roughly 3.7 million barrels per day. Stronger oil prices improve the country's terms of trade, boost government revenues and strengthen the trade balance. The Brazilian real has recently appreciated in part because of this improved external position. Nevertheless, the infla-

“Higher oil prices have a direct inflationary impact on Brazil.”

– Paulo Gala

tionary effects of higher energy prices may limit how aggressively the central bank can ease policy. Even if rate cuts begin, the pace of easing will likely remain gradual. Brazil's interest rates also remain higher than those of many regional peers because fiscal policy remains expansionary, with significant income-transfer programs supporting growth but also adding to demand pressures. This combination of strong activity, fiscal stimulus and inflation risks helps explain why Brazil maintains structurally higher policy rates than other Latin American economies."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

LATIN AMERICA ADVISOR

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

Gene Kuleta
Editor

Jack Quinn
Reporter



Rebecca Bill Chavez, Ph.D., President & CEO

Lila Abed, Director, Mexico Program

Alfonso Blanco, Director, Energy Transition & Climate Program

Margaret Myers, Senior Advisor, Asia & Latin America Program

Manuel Orozco, Director, Migration, Remittances and Development Program

Bruna Santos, Director, Brazil Program

Peter Hakim, President Emeritus

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

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Upcoming Event

ONLINE EVENT: Evidence in Motion – A Regional Dialogue on the Challenges of Measuring Child Development

March 25, 2026 | 11:00 a.m. ET

