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## Latin America Advisor

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## FEATURED Q&amp;A

## How Attractive Is Venezuela to Foreign Miners?



Venezuela is advancing a reform of the country's mining laws to open the sector to private companies. A mining project in Venezuela's Orinoco Mining Arc is pictured. // File Photo: Net Worth Magazine via Flickr PDM 1.0.

**Q** Venezuela's National Assembly on March 9 gave preliminary approval to a sweeping reform of the country's mining laws, a move that came just days after acting President Delcy Rodríguez met in Caracas with U.S. Interior Secretary Doug Burgum and representatives of more than two dozen U.S. mining companies. The measure would repeal a 1999 mining law and also allow private foreign and domestic companies to exploit Venezuelan gold, diamond and rare-earth deposits. What does the reform mean for Venezuela's mining sector and economic development? How attractive is Venezuela to U.S. and other foreign mining companies? What obstacles and risks stand in the way for investment in Venezuela's mining sector?

**A** Luisa Palacios, adjunct senior research scholar at Columbia University's Center on Global Energy Policy: "The proposed new mining law is a step in the right direction, opening the door to private capital in the country's mining sector along the lines of the recent changes to the hydrocarbon law. Most notably, the law opens the door for private concessions and international arbitration, a big step toward improving contractual terms and the sector's competitiveness. The ability to commercialize (export) the mining output is also a welcome step for private investors. The creation of the National Mining Geoscientific Data Bank is also positive, as it recognizes the need to provide accurate information about the country's mineral resources. Sustainability, environmental and economic development considerations also feature in the law, a recognition, at least on paper, of the importance the

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## TODAY'S NEWS

## POLITICAL

### Venezuela's Acting President Replaces Top Military Brass

Acting Venezuelan President Delcy Rodríguez on Thursday replaced the top leaders of the country's armed forces, a move that followed her replacement of Venezuela's long-serving defense minister.

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## ECONOMIC

### U.S. Bars Cuba From Receiving Russian Oil

The U.S. Treasury on Thursday barred Cuba from receiving oil shipments from Russia, a move that came as an oil tanker headed from Russia toward the island.

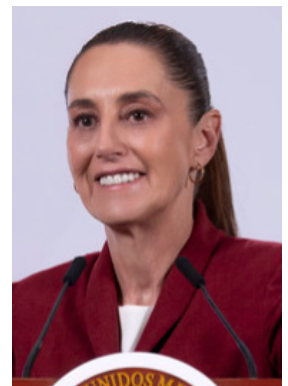
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## ECONOMIC

### Sheinbaum Calls on Banks to Increase Lending

Speaking Thursday night at a conference of financial services professionals, Mexican President Claudia Sheinbaum called on banks to increase lending in order to support infrastructure projects.

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Sheinbaum // File Photo: Mexican Government.

## POLITICAL NEWS

## Venezuela's Acting President Replaces Top Military Leaders

Interim Venezuelan President Delcy Rodríguez announced Thursday that she had replaced all of her top military commanders, a move that followed her firing of the country's long-standing defense minister, Agence France-Presse reported. Rodríguez announced the replacements of the military leaders in a post on social media site Telegram. "I announce the designation of the renewed military high command," she said in the post. She added that the changes would ensure Venezuela's "sovereignty, peace, stability and territorial integrity," BBC News reported. Among the new appointments, Rodríguez tapped Dilio Alejandro Agüero Montes as the new commander of Venezuela's navy, Royman Antonio Hernández Briceño to lead the air force and Rubén Darío Belzares Escobar to be in charge of the army. A day earlier, Rodríguez announced she was replacing Vladimir Padrino as the country's defense minister, replacing him with Gustavo González López, who is seen as a close ally of Rodríguez. Padrino had served as defense minister for 11 years under President Nicolás Maduro, whom U.S. forces captured on Jan. 3 during an early-morning raid in Caracas. In a post Wednesday on Telegram, Rodríguez thanked Padrino for "his loyalty to the homeland, and for having been, throughout all these years, the foremost soldier in the defense of our country," the Financial Times reported. Padrino's position as defense minister was seen as unsustainable after Maduro's capture in the operation, which left dozens of Venezuelan and Cuban bodyguards dead and not a single U.S. casualty, the newspaper reported. Naming González López, who served as head of Venezuela's intelligence service, Sebin, under Maduro "means keeping the repressive structure intact and rewarding someone who should be investigated for very serious human rights violations, including torture or arbitrary detentions," Juanita Gobertus, the Americas director of Human Rights Watch, told BBC News.

## Brazilian Law to Protect Minors Online Takes Effect

A Brazilian law designed to protect minors from violent, addictive and pornographic content online took effect this week, the Associated Press reported Thursday. Lawmakers approved the measure last year, and President Luiz Inácio Lula da Silva signed it into law in September. The law requires minors under age 16 to link their social media accounts to their legal guardian in order to allow for supervision, the wire service reported. It also bars the use of addictive features such as automatic playing of videos and infinite scrolling, which loads content continuously as a user scrolls down. In addition, the law requires age-verification mechanisms in order to access some content, the AP reported. The measure, known as ECA Digital, is an update to Brazil's 1990 Statute of the Child and Adolescent, Human Rights Watch said last September after Lula signed the measure into law. "Brazilian children are finally getting the protections they need and deserve to learn, explore, and play safely online," Hye Jung Han, a children's rights and technology researcher and advocate at Human Rights Watch, said in a statement at the time.

## ECONOMIC NEWS

## U.S. Bars Cuba From Receiving Russian Oil as Tanker Nears

The U.S. Treasury Department said Thursday that Cuba cannot receive oil shipments from Russia under a new temporary sanctions waiver intended to stabilize global fuel markets, CNBC reported. The directive from the Office of Foreign Assets Control came as a fully loaded crude oil tanker from Russia was transiting the Atlantic Ocean, The New York Times reported, citing Kpler shipping data. The vessel, the Anatoly Kolodin, had departed the Russian port

## NEWS BRIEFS

## At Least 11 Killed in Mexico Operation Targeting Drug Gang

At least 11 people suspected to be linked to a drug gang were killed in a security operation in Mexico's Sinaloa state, the country's navy announced Thursday, Reuters reported. The operation also led to the capture of Omar Oswaldo Torres, alias "El Patas," a reputed leader of the Los Mayos faction of the Sinaloa drug cartel, the navy said. It did not identify any of the people who were killed.

## OFAC Extends Citgo's Protection From Creditors

The U.S. Treasury's Office of Foreign Assets Control (OFAC) on Thursday extended a license protecting Venezuelan-owned oil refiner Citgo Petroleum from being seized by its creditors through at least May 5, Reuters reported. Citgo is the eighth-largest oil refiner in the United States; the firm's U.S.-based parent company, PDV Holding, is owned by Venezuela's government. In November, a U.S. federal judge ordered Citgo to be sold to hedge fund Elliott Investment Management to satisfy \$20 billion in claims tied to past expropriations in Venezuela's oil sector.

## Fifth FPSO in Guyana's Stabroek Block Set to Arrive Later This Year

A fifth offshore production unit for Guyana's ExxonMobil-led Stabroek Block consortium is nearly complete and will soon depart a shipyard in Singapore, ExxonMobil's Guyana chief told reporters on Thursday, Reuters reported. The new unit, which is set to arrive in Guyana at an undisclosed date later this year, would add as much as 250,000 barrels per day of oil production capacity to the Stabroek Block, Guyana's only operational oil site. The Stabroek Block currently accounts for some 900,000 barrels per day of oil output.

of Primorsk on March 9 carrying more than 700,000 barrels of crude oil and broadcast its destination as “Atlantis USA,” the newspaper reported. Its actual destination is likely the oil terminal at Matanzas on Cuba’s northern coast, according to The New York Times. Cuba has not received large-scale shipments of fuel since at least Jan. 9, just six days following the U.S. deposal of Venezuelan President Nicolás Maduro and the beginning of a new pressure campaign against Cuba’s government and economy, the newspaper reported. Fuel stocks have dwindled on the island in recent months, leading multiple international airlines to cancel service to Cuban airports amid a shortage of jet fuel, Reuters reported. Cuba’s power grid, which relies almost entirely on fuel oil for electricity generation, collapsed for 29 hours beginning on Monday due to low base power load, energy ministry officials said. Even if the Anatoly Kolodin tanker were to break the effective U.S. blockade of energy products going into Cuba, its cargo of crude oil would need to be processed into fuel oil before it can be used to supply power plants, a process that can take multiple weeks.

## Mexico’s President Calls on Banks to Increase Lending

Mexican President Claudia Sheinbaum on Thursday called on banks to increase lending in order to support her efforts to boost investment in strategic infrastructure, Bloomberg News reported. Sheinbaum, who sent a bill to Congress to promote infrastructure investment, said Mexico needs stronger economic growth. The legislation sent to the lower house would establish more high-level planning in order to better allocate resources from both the government and the private sector, Bloomberg News reported, citing a draft of the bill. The introduction of the legislation followed the government’s introduction of a plan last month to commit 5.6 trillion pesos (\$323.4 billion) toward major development and infrastructure projects over the next four years, Mexico News Daily reported. The plan targets investment

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state should place on the sector’s development. But such considerations were present in the 1999 mining law, which still allowed illegal mining, environmental destruction and serious governance problems. Such a situation underscores how laws and regulations are ineffective without a serious commitment to rebuilding the state’s institutions and adherence to international standards. More institutional certainty regarding gold production and the central bank’s role as certifier and buyer of first resort will likely be necessary, given the country’s ample gold reserves and the questionable gold exports that have been taking place. Some of the more problematic provisions are linked to the discretionary nature of the state’s assignment of concessions or contracts, the broad scope the government retains to declare any mining product strategic (and presumably reserved to the state), the clear lack of processes to award and regulate concessions, and the continued existence of state mining companies with questionable governance and environmental standards retaining broad control over the country’s mining resources. While a step in the right direction, these shortcomings make it difficult to assess whether the proposed regulatory changes will indeed put Venezuela’s mining sector on a promising path of significant investment and production growth.”

in eight sectors: energy, railways, highways, ports, health care, water, education and airports. “This is what the government is doing,” Sheinbaum told more than 1,500 bankers and other financial services professionals Thursday night at an annual banking event in Cancún, Bloomberg News reported. “What do we ask the banks? We want you to increase lending,” she added. The legislation Sheinbaum submitted would establish a centralized process to allow investment to help spur public works projects, the news service reported. Under the measure, the state would remain a key stakeholder, Jorge Mendoza, the head of state

**A** Gustavo Roosen, member of the Advisor board and president of IESA in Caracas: “The Venezuelan government continues to face ongoing legal claims from international mining companies that were expropriated during the administration of Hugo Chávez. Illegal gold mining in southern Venezuela represents a severe humanitarian, nation-

“**For globally recognized mining companies to reinvest in the country, it is essential to re-establish the rule of law...**”

— Gustavo Roosen

al security and environmental crisis. For globally recognized mining companies to reinvest in the country, it is essential to re-establish the rule of law and to restructure the government’s substantial external debt—estimated at nearly twice the nation’s GDP. A similar situation affects the iron, bauxite and cement industries, whose derivatives once represented Venezuela’s second-largest export sector, primarily operated from the Guayana industrial complex. The return of these industries to private ownership and

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development bank Banobras, told Bloomberg News in an interview. “The challenge is to figure out how to attract private investment without altering the essence of what the ‘Fourth Transformation’ has been striving for,” Mendoza told the news service, referring to the social and political project launched by Sheinbaum’s mentor, Andrés Manuel López Obrador. The legislation is part of Sheinbaum’s “Plan México” economic development plan, which seeks to increase investment through foreign and domestic investment, even amid uncertainty over U.S. tariffs and this year’s renegotiation of the USMCA trade accord.

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management will also require the completion and rehabilitation of the Bajo Caroní hydroelectric complex, a critical infrastructure asset in the Guayana region. Ultimately, not all opportunities are as promising as they may initially appear. All that glitters is not gold."

**A**lejandro Valerio, founder of Valerio Consulting Group: "Venezuela's proposed mining reform is economically significant because it is not just a legal update; it is an invitation to replicate in mining what Chevron has already demonstrated in oil: that even in a sanctioned, high-risk environment, early movers with political discipline, operational patience and strong channels in both Caracas and Washington can capture outsized upside. The reform's meaning is twofold: It could formalize part of a largely informal mining economy and generate fiscal revenue, while creating a first-mover premium for firms willing to treat Venezuela as a shifting, rather than conventional, investment environment. The bill would extend concessions to 30 years, allow international arbitration and open gold, diamond and rare-earth projects to foreign capital. It also elevates the strategic relevance of Venezuela's coltan reserves—key inputs for electronics and defense—amid intensifying U.S.-China competition over critical mineral supply

chains. Venezuela is attractive not because it is easy, but because geological upside is large and competition remains limited. This is where the 'Chevron model' matters: maintain proximity to power centers in Caracas

**“Venezuela is attractive ... because geological upside is large and competition remains limited.”**

— Alejandro Valerio

and Washington, secure legal and political cover, move incrementally and hedge against policy reversals. Chevron's expansion strategy in the Orinoco Belt, including potential development of the Ayacucho 8 oil and gas exploration block, illustrates this approach in practice. Still, obstacles are significant: sanctions snapback risk, weak institutions, security concerns in mining zones, illegal armed actors, environmental liabilities and a legacy of expropriations. Venezuela remains a high-risk frontier, but for firms able to execute a 'Chevron-style' strategy, the upside is real and potentially exceptional."

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

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