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FEATURED Q&A

Can Cuba Attract New Investments to Spur the Economy?



Cuba's government this month held a business fair in the hopes of attracting new investments for its beleaguered economy. Havana is pictured. // File Photo: Lark Ascending via Creative Commons.

Q Cuba on Nov. 6 hosted a business fair that drew more than 800 companies from dozens of countries as it seeks new investments. While Cuba is facing a severe economic crisis, the country's president, Miguel Díaz-Canel told attendees that the fair's "massive" participation proved that businesses have confidence in Cuba, Reuters reported. How strong is business confidence in Cuba, and to what extent will the fair translate to new investment in the country? How much will difficulties in financing, given U.S. sanctions on the country, prevent businesses from pursuing plans in Cuba? What other actions must Cuba's government take in order to strengthen the island's economy?

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: "It is likely that some foreign investors may want to explore the changes occurring in the Cuban economy and the opportunities opening up with private small and medium-sized enterprises. However, in general, the Cuban economic landscape remains quite discouraging for business development on the island. Inflation and fiscal imbalances remain out of control, and there are no prospects for the short or medium-term restoration of external debt payments. The government has spoken of a macroeconomic stabilization program, but its characteristics and start date remain a mystery. Companies operating in the Cuban market are affected by deficits in the electricity generation system and the scarcity of foreign currency; in fact, most private companies must acquire

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TODAY'S NEWS

BUSINESS

Petrobras Unveils \$102 Billion Investment Plan

Brazilian state oil company Petrobras announced Thursday that it plans to invest \$102 billion over the next five years, mainly in oil production and exploration.

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BUSINESS

Americanas Reaches Deal With Creditors on Debt

Brazilian retailer Americanas has reached an agreement with creditors to overhaul more than 35 percent of its debt. Other creditors also expressed interest in the same deal. Nearly a year ago, an accounting scandal doubled the retailer's debt to \$8.7 billion.

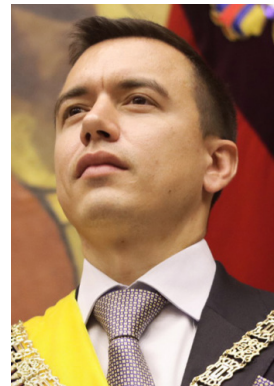
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POLITICAL

Noboa Takes Office as President of Ecuador

Daniel Noboa, 35, was sworn in Thursday as president of Ecuador. In his inaugural address, he vowed to improve security and create jobs in the South American country.

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Noboa // File Photo: Facebook Page of Daniel Noboa.

POLITICAL NEWS

Noboa Takes Office in Ecuador, Vows to Boost Security, Jobs

Business heir Daniel Noboa took office Thursday as Ecuador's president, vowing in his inaugural address to reduce violence in the South American country and also to create jobs, Reuters reported. "To fight violence we must fight unemployment," Noboa, 35, told lawmakers. "The country needs jobs, and to create them, I will send urgent reforms to the assembly, which should be treated with responsibility and by putting the country first," he added. Noboa's term lasts just 17 months as he is finishing the term of his predecessor, Guillermo Lasso, who earlier this year dissolved the National Assembly as it attempted to impeach him, in a move that also cut short his own time in office. Analysts have said it will be difficult for Noboa to significantly tackle Ecuador's challenges in just 17 months, though he will be eligible to run for re-election in 2025, Reuters reported. "We cannot keep repeating the same policies of the past expecting to have a different result," Noboa said in his inaugural speech. "The job is hard and difficult and the days are few," he added. Noboa may declare a state of emergency, which would allow him to propose legislation to the National Assembly with 30-day timelines for votes. Lasso frequently used states of emergency in his efforts to fight crime and violence, but security continued to deteriorate throughout his term. In addition to improving security, Noboa is seeking legislative reforms, including measures to incentivize hiring, in order to create jobs, Reuters reported. Job-creation measures will have a focus on creating employment for young people, and Noboa is also planning a lower value-added tax on construction materials. Noboa will also seek electricity sector reforms amid a drought caused by the El Niño weather phenomenon, which has deprived hydroelectric plants of water, forcing Ecuador to import energy, Reuters reported. During his campaign, Noboa vowed to fight drug trafficking. A day after he was sworn in,

Noboa on Friday repealed guidelines that the country's leftists established a decade ago that eliminated penalties for people in possession of illegal drugs under certain amounts, the Associated Press reported. Under the former guidelines, an individual could legally carry up to 10 grams of marijuana, two grams of cocaine paste, one gram of cocaine, 0.10 grams of heroin and 0.04 grams of amphetamine, the AP reported. In announcing the repeal, Noboa's office said the former guidelines were a "harmful element for Ecuadorean society" and "encouraged micro-trafficking." At the same time, Noboa directed the interior and public health ministries to develop "coordinated information, prevention and control programs on the consumption of narcotic and psychotropic substances" and also provide treatment to "habitual and problematic occasional users," the AP reported. [Editor's note: See related [Q&A](#) in the Nov. 17 issue of the Advisor.]

BUSINESS NEWS

Brazil's Petrobras Announces \$102 Bn Investment Plan

Brazilian state-owned oil company Petrobras announced Thursday that it plans to invest \$102 billion over the next five years, chiefly in oil production and exploration, The Wall Street Journal reported. While President Luiz Inácio Lula da Silva made environmental policies a major campaign plank and priority for his administration, Brazil had continued to focus money into developing oil production, including the recent move to tap a deepwater offshore oil reserve near Rio de Janeiro. "Just because we've reached the conclusion that the world needs clean energy and increasingly more of it, it doesn't mean that we should condemn oil and stop pumping overnight," Petrobras CEO Jean Paul Prates told The Wall Street Journal in an interview on Friday. Prates added that the profits from oil production provide the funds for Brazil to invest in renewable energy. At a press conference Thursday announcing the

NEWS BRIEFS

Brazil Planning to Launch Financing Framework for Tropical Forests at COP28

Brazil's government is planning to unveil a global financing framework for the protection of tropical forests at the United Nations' COP28 climate summit, which begins Thursday, the Financial Times reported. Under the proposed framework, which President Luiz Inácio Lula da Silva is to announce at the conference, a fund would be established to compensate landowners and residents who help to preserve forests.

Thousands March in Havana in Support of the Palestinian People

Thousands of Cubans marched along Havana's historic Malecón boardwalk on Thursday in protest of the Israel-Hamas war in Gaza, the Associated Press reported. The pro-Palestinian demonstration was led by Cuban President Miguel Díaz-Canel, who marched alongside his wife and other government officials including Prime Minister Manuel Marrero and Foreign Minister Bruno Rodríguez. Sami Sabala, a Palestinian medical student in Cuba as part of a cooperation program, told the AP that the march "makes people feel that Palestine is not alone."

Closure of Argentine Central Bank 'Non-Negotiable': Milei

Argentine President-elect Javier Milei reaffirmed on Friday his intent to close the nation's central bank, Reuters reported. In a statement from Milei's office on X, the social media platform formerly known as Twitter, the bank's closure was described as a "non-negotiable matter." Milei takes office Dec. 10, but his libertarian coalition has few seats in Congress, leaving the prospects of his more ambitious reforms uncertain.

investment, Prates pointed to new Petrobras investments in fertilizer and renewable energy. Before the end of next year, Petrobras aims to resume operations at one fertilizer plant and, by the end of 2028, finish construction of a second plant, Reuters reported. Petrobras also announced that it would invest \$5.2 billion in solar and wind power.

Americanas Secures Deal With Creditors on Portion of Debt

Americanas, the Brazilian retail chain, announced in a filing today that it had secured a binding agreement with bank creditors that hold more than 35 percent of the company's debt, Bloomberg News reported. Americanas has faced a bankruptcy crisis following the revelation, 11 months ago, that accounting fraud had doubled the company's debt to 42.5 billion reais, (\$8.7 billion). In January, a new CEO hired from outside the company took over and resigned only nine days later, alleging accounting errors he estimated totaled up to 20 billion reais. A new team of leaders quickly hired by the board accused their predecessors of inflating the company's profits and hiding its debts. Americanas has since been in negotiations with creditors, seeking a means to restructure its debt. The new plan will lead to a \$4.9 billion capital increase from debt-to-equity swaps with creditors and cash injections by large shareholders. The new deal follows a year of declining online sales and the closure of many stores. In the filing, Americanas management said it "believes the agreement is an important milestone in the reorganization process and progress towards its goal of emerging as a stronger and more competitive company," Reuters reported. "With a feasible reorganization plan supported by the main creditors and reference shareholders, management believes there is a clear and viable path to finalizing the reorganization process within a foreseeable horizon," the company added. The retailer's major creditors include BTG Pactual, Santander Brasil and Bradesco, Reuters reported.

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dollars in the informal market. The scheme of economic sanctions has undergone very little variation under the Biden administration, affecting the government and the entire business system. The renewal of international alliances, something that President Díaz-Canel has tried to prioritize, does not seem sufficient to boost the economy if a more profound structural reform that reshapes the bases of economic growth and international integration is not carried out. Even traditional allies of the Cuban government, such as Russia, China and Mexico, would also like to see reforms and adjustments in the Cuban economy so that credits and investments can generate a financially sustainable impact."

A **Aymee Valdivia, partner at Holland & Knight:** "The number of participants at the fair may not necessarily translate to an upsurge of foreign investment on the island. Many businesses participating in the fair primarily aim to sell their products or services to Cuba, in some cases targeting the Cuban private sector. This demands far less confidence than the substantial commitment required for capital investment in a joint venture project. Actualizing an investment project is a complex endeavor for various reasons, one being the limited pool of available projects typically outlined in the government's Portfolio of Foreign Investment Opportunities. Additionally, every foreign investment entails navigating multiple layers of governmental approval. Accessing financing poses a significant challenge, and while U.S. sanctions may play a role by restricting U.S. banks and financial institutions from engaging in Cuba-related transactions, they don't impede non-U.S. banks from participating. Several other factors contribute to this challenge, including the creditworthiness of involved parties, the profitability of the venture project, the scarcity of hard currency liquidity on the island, and the associated constraints

on profit repatriation. A comprehensive approach to fostering foreign investment involves bolstering Cuba's emerging private sector. This could be achieved by granting foreign businesses the opportunity to invest

“Many businesses participating in the fair primarily aim to sell their products or services to Cuba...”

— Aymee Valdivia

in privately-owned micro, small and medium enterprises. Simultaneously, establishing a robust legal framework for such enterprises to engage in foreign exchange transactions and facilitate international payments would be crucial. These strategic actions have the potential to not only attract more significant investment but also contribute to the long-term strengthening of the island's economy."

A **Carlos Alzugaray Treto, former Cuban ambassador to the European Union:** "Although authorities insist that the country is open for business, there are constraints. Cuba has a legacy of a highly centralized state-owned economy, a model that until recently allowed little autonomy to economic actors, leadership and bureaucracy filled with prejudices against market economies, and a dense web of unilateral U.S. coercive measures against any dealings with Cuba not only from its nationals, but also from third-country firms. Most recently, in 2021, the United States designated Cuba as 'a state sponsor of terrorism,' an additional challenge for Cuba. In 2011, authorities endorsed a reform program labeled 'Updating the socioeconomic model.' It was designed to introduce market economics in the system, with special emphasis on the autonomy of economic actors. According to the original plan, for the first time, privately

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owned Cuban firms as well as foreign direct investment would play a key role in the economy. There has been resistance, sometimes unyielding, to its implementation both from top government officials and from the bureaucracy. But again, U.S. sanctions remain the biggest challenge. There is no signal that those sanctions might be loosened soon as they were in a limited form during the Obama years. Nevertheless, authorities will do well in more vigorously pursuing the economic opening they designed in 2011, including a significant expansion of the private sector, as they are doing now."

A **Jorge A. Sanguinety, senior advisor at DevTech Systems:**
"Based on what we believe we know about the Cuban economy, business confidence cannot be very strong due to many negative conditions. Among them are a lack of reliable supply of energy (electricity, fuel) across the island, overwhelming government intervention in the economy, and poor national and local transportation systems. Given the current economic and social environment in Cuba, it is not realistic to assume that the country is ready to attract and receive foreign investors capable of turning the economy around without very large investments in infrastruc-

ture and significant structural reforms by an orthodox communist government. The difficulties in financing derived from the U.S. sanctions on the Cuban government will affect its ability to obtain the large and public loans necessary to fund investments

“**The Cuban economy is deteriorating due to irrational government policies and little reliance on the domestic private sector.**”

— Jorge A. Sanguinety

in infrastructure (principally electric power plants to replace old ones) from international organizations that require U.S. approval. The Cuban economy is deteriorating due to irrational government policies and little reliance on the domestic private sector. The relative impact of the U.S. embargo increases as Cuba fails to take corrective actions aimed at ameliorating the serious economic crisis that the country is suffering.”

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

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