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FEATURED Q&A

Can Bolivia Access Enough Crypto to Pay for Needed Fuel?

Bolivian state energy company YPFB said earlier this month that it will use cryptocurrency to pay for fuel imports. // File Photo: rawcaptured via Adobe Stock.

Q Bolivian state-owned energy company YPFB will start paying for energy imports with cryptocurrency amid a shortage of foreign currency reserves, a company spokesperson told Reuters on March 11. The decision came amid high domestic fuel prices and sustained protests against the government's management of the country's economy. What's behind Bolivia's lack of foreign currency? To what extent is turning to cryptocurrency a feasible solution to Bolivia's shortages of fuel and foreign reserves? How can Bolivia's government secure enough crypto coins needed to pay for significant levels of fuel imports?

A Robert Albro, associate director at American University's Research Center for Latin American & Latino Studies: "Having lifted its longstanding ban on Bitcoin in 2024, Bolivia recently authorized its state-owned energy company to use cryptocurrency to import oil and gas. Both moves are desperate responses to intractably entangled economic and political crises. Once an energy exporter, dwindling gas production has forced Bolivia to deplete foreign currency reserves to import necessary fuel. The ongoing feud between Evo Morales and Luis Arce has created legislative gridlock, exacerbating economic woes. Loans to purchase foreign fuel aren't approved, adding to the scarcity of foreign currency. Resulting fuel shortages have led to long lines at gas stations and protests, intensifying uncertainty created by skyrocketing inflation, disputed claims of assassination attempts and coups, armed takeovers of military posts and roadblocks by Evo and Arce loyalists. Crypto use has recently surged in Latin America, as countries

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TODAY'S NEWS

ECONOMIC

Trump Threatens 25% Tariffs on Importers of Venezuelan Oil

U.S. President Donald Trump said Monday that he will impose 25 percent tariffs on countries that buy oil or gas from Venezuela.

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POLITICAL

Lawyers Seek Release of Venezuelans Held in El Salvador

Lawyers hired by Venezuela's government on Monday filed a court petition seeking the release of 238 Venezuelans that the U.S. deported to El Salvador.

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ECONOMIC

Peru Planning to Spend $24 Billion on Agricultural Irrigation Projects

Peru's government is planning to invest $24 billion on irrigation projects in order to boost agricultural exports, said Agriculture Minister Ángel Manero.

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Manero // File Photo: Peruvian Gov't via Creative Commons.

ECONOMIC NEWS

Countries Buying Venezuelan Oil Face 25% Tariffs: Trump

The administration of U.S. President Donald Trump will impose 25 percent cross-board tariffs on countries that purchase oil or gas from Venezuela beginning April 2, Trump announced Monday in a post on Truth Social, the social media site that he owns. China is the largest destination of Venezuelan oil and gas exports, followed by the United States, Reuters reported. India, Spain and Italy also take in significant volumes of Venezuelan petroleum products. Trump has pledged to implement "reciprocal" tariffs against all countries that charge duties on U.S. goods on April 2, a date that the president described as "liberation day" in his post to Truth Social on Monday. The new 25 percent U.S. tariffs on nations that import Venezuelan hydrocarbons would be imposed on top of any duties that were already planned for April 2, Bloomberg News reported. The Trump administration on Monday also extended Chevron's license to operate in Venezuela by eight weeks, giving the oil major until May 27 to wind down its involvement in three active production ventures alongside state-run PDVSA, according to a notice published on the website of the U.S. Treasury Department's Office of Foreign Assets Control. The administration had previously given Chevron until April 3 to end its operations in Venezuela, citing the government of President Nicolás Maduro's alleged manipulation of the results of the country's general election last July. Chevron's ventures in Venezuela currently produce more than 200,000 barrels of oil per day, with all output intended for export to the United States under the terms of its existing sanctions waiver, according to Reuters. Chevron CEO Mike Wirth met with Trump last week and proposed the plan to extend the company's license in Venezuela in exchange for the U.S. government placing tariffs on other countries that do business with Venezuela's oil sector, sources told The Wall Street Journal on March 19. Venezuela's government on Sunday also began accepting flights of Venezuelan migrants deported from the United States after reaching an agreement with Trump administration officials, CNN reported.

Peru Planning to Spend $24 Billion on Irrigation Projects

Peru's government plans to direct $24 billion in spending toward irrigation projects in the country over the next three to seven years, Agriculture Minister Ángel Manero announced Monday at a press conference, Reuters reported. The agriculture ministry aims to expand arable farmland in the country by around one million hectares in a bid to boost crop exports, Manero said, Reuters reported. The $24 billion will be spent mostly on public-private partnerships, including a $7 billion project to irrigate areas of the Pacific coastline with water from the Amazon basin, according to the wire service. Peru's government aims to export $40 billion worth of agricultural goods by 2040—up from $13 billion last year—with rising meat exports to China expected to account for a significant share of future growth, Reuters reported. Chinese shipping firm Cosco in November opened the Chancay mega-port outside of Lima, which is expected to reduce average container shipping times between Peru and East Asia by around 30 percent. The port is South America's first direct maritime link with Asia, Carlos Aquino, director of the Center for Asian Studies at the Universidad Nacional Mayor de San Marcos, told the Advisor in a Q&A published Nov. 5. "Saving around 10 or 12 days in shipping time will mean cheaper costs and make products exported to Asia more competitive," Aquino added.

Peru's government aims to export $40 billion worth of agricultural goods by 2040.

NEWS BRIEFS

Rubio Plans to Visit Jamaica, Guyana, Suriname This Week

U.S. Secretary of State Marco Rubio will travel to Jamaica, Guyana and Suriname on Wednesday and Thursday of this week, the State Department announced on Monday. Rubio's trip aims to "promote regional cooperation to end illegal immigration, counter transnational organized crime, strengthen regional actions to address Haiti's political and security challenges and strengthen the United States' economic partnerships with Caribbean countries," spokesperson Tammy Bruce said in a statement. Rubio plans to meet with officials from Haiti's provisional government while in Jamaica, Bruce said.

Brazil's Petrobras Finds Hydrocarbons in Exploratory Well

Petrobras, Brazil's state-owned oil and gas firm, on Monday disclosed in a securities filing that it has found new hydrocarbon resources in an exploratory well in the offshore Campos Basin, Reuters reported. Petrobras will continue evaluating the financial feasibility of extraction at the well in the Norte de Brava block, the wire service reported.

Chile's Central Bank Raises Expectations for Inflation, Growth

Chile's central bank on Monday increased its forecasts for year-end inflation and economic growth, citing strong consumption and investment figures, Bloomberg News reported. Year-end inflation is expected at 3.8 percent, up from a prior estimate of 3.6 percent; the bank expects gross domestic product will grow between 1.75 percent and 2.75 percent this year, up from the previous range of 1.5 percent to 2.5 percent, according to the news service.

POLITICAL NEWS

Lawyers Seek Release of Venezuelans Held in El Salvador

Lawyers hired by Venezuela's government on Monday filed a court petition in El Salvador to seek the release of 238 Venezuelans whom the United States deported there more than a week ago, the Associated Press reported. The administration of U.S. President Donald Trump invoked an 18th century wartime law to deport the Venezuelans, who it alleges are members of the Tren de Aragua gang. Jaime Ortega, one of the lawyers who represents 30 of the jailed Venezuelans, said that the habeas corpus petition that was filed in the constitutional chamber of El Salvador's supreme court by extension asks for the release of all Venezuelan citizens who are imprisoned in El Salvador, the AP reported. Another one of the lawyers, Salvador Rios, said he and Ortega were hired by Venezuela's government and the Families of Immigrants Committee in Venezuela, the wire service reported. The Venezuelans they represent do not belong to the Tren de Aragua gang and "don't have any criminal record," Rios said, the AP reported. The Trump administration's decision to deport the Venezuelans to El Salvador followed Salvadoran President Nayib Bukele's offer in February to U.S. Secretary of State Marco Rubio to imprison people deported by the United States, as well as U.S. citizens serving prison sentences in the United States. However, lawyers in both the United States and El Salvador have questioned the legality of U.S. authorities sending people who have not been convicted of any crime, and in some cases not even charged, to be imprisoned in another country, the AP reported. During a hearing on Monday, U.S. Court of Appeals Judge Patricia Millett heard arguments about the Trump administration's deportation of the Venezuelans under the 18th century law. "Nazis got better treatment [during World War II] under the Alien Enemy Act than has happened here," said Millett, BBC News reported.

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seek de-dollarization and hedges against inflation, bypassing banks while offering people more financial options. A Bolivian official suggested farmers could utilize crypto as a remittance tool. Bolivia's crypto experiment follows a blueprint pioneered by Argentina and Venezuela, which tested similar measures, while El Salvador declared Bitcoin a legal tender. Following the ban's removal, crypto use in Bolivia increased by more than 105 percent in three months, particularly the use of stablecoins, often used in countries experiencing currency devaluation and a shortage of foreign currency. But the country's gamble hinges on regulatory stability and supplier agreement. Crypto is notoriously volatile, and many questions remain about how the energy company will use crypto, or whether suppliers will accept crypto payments. Time will tell, but uncertainty remains."

A **Daniel E. Moreno Morales, senior researcher at Ciudadanía, Comunidad de Estudios Sociales y Acción Pública:** "Bolivia is currently suffering the consequences of almost 20 years of irresponsible economic policies. At the beginning of this century, Bolivia promised to be the new energy powerhouse in South America, feeding the demand of both local and far-away markets with a vast supply of natural gas. Indeed, the country's gas export boom brought many billions of dollars into the national economy, financing large infrastructure projects and substantially increasing the size of the economy. However, the incoming resources were also spent on an ever-increasing number of public employees, as well as members of the ruling party—Evo Morales and Luis Arce's MAS. A number of public companies were created, but very few proved to be financially sustainable, and they were not able to change the country's productive matrix. Unattractive conditions drove away potential investors, and new gas and oil reserves ceased to be explored and certified. Meanwhile, the government froze domestic fuel prices at a little over half a dollar per liter, via the control and monopoly of fuel distribution by public oil company YPFB. While YPFB had a relatively high production and the amount of cash flowing in from natural gas exports was high, the cost of subsidizing domestic fuel prices was not significant. Now that both gas and oil reserves have become exhausted, the government needs to import high volumes of fuel and has simply run out of money to pay for it. A sense of concern and anger is shared by most Bolivians at this point—and there is much more at stake in the upcoming national elections in August than just electing a new president."

A **Mauricio Becerra de la Roca Donoso, managing partner at BDA Abogados:** "For several years, there have been warnings about the constant decline in Bolivia's international reserves, which have dropped to less than $2 billion from their peak of more than $15 billion in 2015, according to data from the beginning of this year. Of this amount, there is only $46.8 million in liquid resources. This situation places Bolivia in a critical position, especially because it threatens fuel imports. The government has attempted to address the crisis with increased external financing, though this has not provided a structural solution. The recent authorization for the use of cryptocurrencies by public entities and state-owned companies seems like an insufficient and supplementary measure within a plan to reduce state spending in U.S. dollars. This is particularly notable considering that until last year, there was an explicit ban on the use of crypto assets in Bolivia. The Ministry of Economy has approved regulations regarding the operational aspects of acquiring and transferring crypto assets in public entities and companies, which state that these assets must be acquired from a 'Virtual Asset Provider' and paid for in bolivianos. These conditions suggest that

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this measure will not significantly solve the country's economic problems. According to data from the Central Bank of Bolivia, the trading of crypto assets in the country, which occurs in bolivianos, averages $15 million per month. This means that even if the state were a major player in this market, the resources would be limited, especially since the boliviano continues to lose value day by day, with a gap of at least 70 percent between the official exchange rate and the parallel exchange rate."

A **Gonzalo Mendieta Romero, partner at Mendieta Romero & Asociados:** "Bolivian natural gas exports have gone down in a decade from roughly $6 billion annually to around $1 billion. Income from natural gas exports is currently much less than the $2.3 billion spent in 2024 to subsidize internal fuel prices, according to the central bank's president (other sources speak of higher amounts). Income from gas exports has not been replaced. In the mining field, a traditional Bolivian source of revenue, the major ongoing projects sprung from investments that were made more than 20 years ago and are in their declining phase. Agrobusiness exports have also dropped, and though relevant, cannot offset the decay of the hydrocarbons industry. The 20-year-old statist model that Evo Morales and Luis Arce have applied has not attracted investments. Bolivia has lived out of what was built back in the 1990s. This economic model is collapsing. The government authorized YPFB to acquire fuel using cryptocurrency. This measure is just a way to allow YPFB to go to the open market and find hard currency for fuel imports. Cryptocurrency will likely be bought not in Bolivian currency, but rather in U.S. dollars at the unofficial exchange rate. And that rate has been pushed up because YPFB may further dry up the availability of U.S. dollars. The problem is not U.S. dollar liquidity, as the government claims, but rather the lack of Bolivian exports and hard currency reserves. Bolivia faces a structural balance of payments disequilibrium. Hence presidential candidates, and even President Arce, trumpet the need for credits to surmount this critical state of the economy."

> **"The 20-year-old statist model that Evo Morales and Luis Arce have applied has not attracted investments."**
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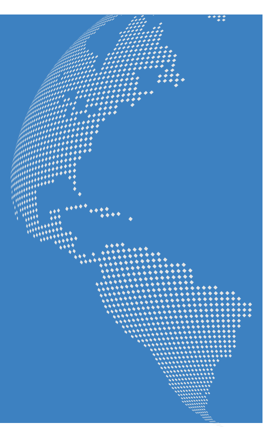
> **— Gonzalo Mendieta Romero**

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

Upcoming Event



ONLINE EVENT: Launch of the Regional Repository of Chinese Investments in Latin America

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