

BOARD OF ADVISORS

- Diego Arria**
Director, Columbus Group
- Merike Blofield**
Professor of Political Science,
University of Hamburg
- Devry Boughner Vorwerk**
CEO, DevryBV Sustainable Strategies
- Joyce Chang**
Global Head of Research,
JPMorgan Chase & Co.
- Peter Hakim**
President Emeritus,
Inter-American Dialogue
- Donna Hrinak**
Director,
Adtalem Global Education
- 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**
Professor of Political Economy,
Georgetown University
- 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

Will Nearshoring to Mexico Survive the U.S. Election?



Tesla CEO Elon Musk said last month that the company will hold off on investing in its Mexico factory before the U.S. presidential election. // File Photo: Daniel Oberhaus (2018) via Creative Commons.

Q **Elon Musk said last month that Tesla will not be investing further in its Mexico factory until after the U.S. presidential election. The CEO said the company faces too many uncertainties in the face of Republican nominee Donald Trump's promise to impose strict tariffs on goods imported from Mexico. What does Musk's decision to pause the development of a Mexican plant say about the state of the nearshoring boom? How much will the nearshoring trend be affected by the outcome of the U.S. presidential election? How will the election influence trade and economic policy between the two countries?**

A **Tara Hariharan, managing director of global macro research at NWI Management:** "Thanks to extensive supply chain integration with the United States, competitive labor costs and USMCA trade deal perks, Mexico last year overtook China as the largest source of U.S. imports and attracted an 18-year-high \$36 billion of foreign direct investment. GM, Kia and BMW have made electric vehicle (EV) investments in Mexico, and the U.S.-led Western Hemisphere Semiconductor Initiative will promote chip assembly and packaging in the country. However, China—notably EV maker BYD—also targets Mexico as a trans-shipment hub to circumvent U.S. tariffs. Tesla's hesitation regarding a Mexico plant thus anticipates action to prevent Chinese overcapacity flooding the United States through Mexico. Trump proposes tariffs of 10 percent on all U.S. imports, 60 percent on Chinese goods and 200 percent on Chinese cars shipped from Mexico. He may dismantle the Inflation Reduction Act and CHIPS Act which incentivize

Continued on page 3

TODAY'S NEWS

POLITICAL

Lula, Petro Discuss Negotiated Solution to Venezuela Crisis

Brazilian President Luiz Inácio Lula da Silva and Colombian President Gustavo Petro on Wednesday spoke by phone to discuss options for a negotiated solution to Venezuela's election crisis.

Page 2

BUSINESS

Atlas Gets Loan for Chile Battery Storage Project

Atlas Renewable Energy has secured a \$289 million loan for the development of a battery storage project in Chile.

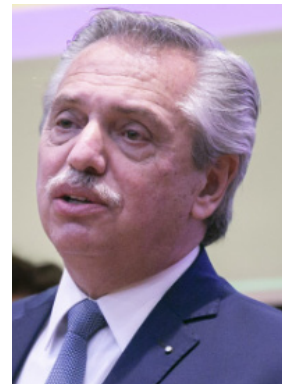
Page 3

POLITICAL

Argentine Ex-President Charged in Abuse Case

Former Argentine President Alberto Fernández was charged Wednesday with committing violence against his former partner. He has denied the allegations.

Page 2



Fernández // File Photo: Argentine Government.

POLITICAL NEWS

Lula, Petro Discuss Negotiated Solution to Venezuela Crisis

Brazilian President Luiz Inácio Lula da Silva and his Colombian counterpart, Gustavo Petro, spoke by phone Wednesday to discuss possible options for a negotiated solution to Venezuela's election crisis after Mexico's president pulled out of the effort, Reuters reported. "I was on a phone call with Colombia, trying to see if we could find a way out for the problems in Venezuela, to see if we could reestablish democratic calm in that country," Lula said at an event. The two leaders held the call after Mexican President Andrés Manuel López Obrador withdrew from participating in the effort, saying that he would wait for Venezuela's supreme court to review the election. Lula and Petro now plan to speak by phone with Venezuelan President Nicolás Maduro and opposition candidate Edmundo González, unnamed sources told Reuters. Neither Brazil nor Colombia plan to recognize the election results until the full publication of the vote tallies, Brazilian sources told the wire service. Hours after the polls closed in Venezuela's July 28 vote, the country's National Electoral Council announced that Maduro had been elected to a third term, winning 51 percent of the vote. However, it has not provided evidence. The opposition has published vote tallies which appear to show González winning in a landslide, garnering more than twice as many votes as Maduro. The governments of Brazil, Colombia and Mexico "have the responsibility and opportunity to stop using euphemisms when talking about Venezuela," Tamara Taraciuk Broner, director of the Peter D. Bell Rule of Law Program at the Inter-American Dialogue, told the Advisor in a [Q&A](#) published Wednesday. "They recently called for the respect of human rights—they should go a step further and ask the Maduro regime to stop the spiraling repression that has left more than 20 people killed, over 2,000 in jail according to authorities, social media blockages and the intimidation campaign to

curb dissent," she added. U.S. President Joe Biden and Panamanian President José Raúl Mulino also discussed the situation in Venezuela and expressed concerns about "serious flaws" in the vote count, the White House said in a statement. "President Biden thanked President Mulino for his effort to advance democracy in both Panama and the hemisphere, including Panama's efforts to mobilize regional support to restore democratic norms in Venezuela and condemn political repression," the White House statement added. During the call, Biden and Mulino also "discussed joint efforts to address the challenges stemming from irregular migration through Panama, including the regularization of migrant populations and increased humane enforcement efforts," the White House said.

Ernesto Strengthens to Hurricane, Cuts Power in Puerto Rico

Hurricane Ernesto picked up strength on Wednesday as it knocked out power for nearly half of Puerto Rico's residents and threatened to strengthen further to a major hurricane as it barreled toward Bermuda, the Associated Press reported this morning. As of 8 a.m. Atlantic Standard time today, the storm was located about 605 miles south-southwest of Bermuda, heading north at 123 miles an hour, with maximum sustained winds of 85 miles an hour, the U.S. National Hurricane Center said in an advisory. A hurricane warning is in effect for Bermuda, the agency said.

Argentina's Alberto Fernández Charged in Abuse Case

A federal prosecutor in Argentina on Wednesday charged former President Alberto Fernández with committing violence against his former partner, Fabiola Yáñez, the Associated Press reported. Fernández stands charged with causing "minor and serious injuries, doubly

NEWS BRIEFS

Five Officials of Costa Rica's Child Welfare Agency Arrested

Five officials of Costa Rica's child welfare agency have been arrested on charges of involvement in the trafficking of migrant children for adoption, the Associated Press reported, citing an announcement by authorities. The case began in 2022 when the agency's then-president reported irregularities in adoptions at a regional office of the agency, according to the head of the country's main investigative agency, the AP reported.

Argentina Sees 4% Monthly Inflation in July

The monthly inflation rate in Argentina stood at 4 percent in July, according to official data published on Wednesday by the National Institute of Statistics and Censuses (INDEC), Reuters reported. The monthly figure was the lowest in two and a half years and the third consecutive month that the monthly figure was below 5 percent, Agence France-Presse reported. Inflation over the 12 months through July was 263.4 percent, the highest in the world. Reuters polls forecast inflation to hit 263 percent, anticipating a slowdown after a speed-up in June.

Development Plan for Exxon's Seventh Guyana Project Expected Next Year

ExxonMobil is expected to release a development plan early next year for its seventh oil project off the coast of Guyana, the country's natural resources minister, Vickram Bharrat, said Wednesday, Reuters reported. The project, known as Hammerhead, would bring Guyana's oil production to more than 1.4 million barrels per day. An Exxon-led consortium is currently producing approximately 650,000 barrels of oil per day at its three production platforms, the wire service reported.

aggravated” and “coercive threats” against the former first lady, according to prosecutor Ramiro González. Fernández has strongly denied the allegations and has vowed to prove “what really happened” in court, the AP reported. González has requested testimonies from former presidential physician Federico Saavedra, former presidential secretary María Cantero and others. Yáñez currently lives in Spain with their son and last week appeared before an Argentine judge to accuse the former president of committing acts of violence against her, Reuters reported.

BUSINESS NEWS

Atlas Gets \$289 Mn Loan for Chile Battery Project

Atlas Renewable Energy has secured a loan of \$289 million for the development of a 200-megawatt/800-megawatt hour battery storage project in Chile, the company said on Tuesday, Renewables Now reported. Proceeds will go toward the BESS del Desierto battery, Atlas Renewable’s first independent energy storage facility in the country. The funding was provided by France’s BNP Paribas and Credit Agricole Corporate and Investment Bank and includes a senior loan of \$219 million, among other credit lines worth \$70 million. BESS del Desierto will store electricity during periods of peak solar irradiation and will feed the energy back to the grid during periods of high demand. Due to its regulatory frameworks, promotion of public-private partnerships and environmental policies, Chile has emerged as one of Latin America’s leaders in clean energy, Bloomberg Línea reported. In the first quarter of this year, renewable resources represented 40.7 percent of the country’s total energy consumption. Challenges remain, however, for the growing sector, as unequal distribution of the sources’ input to the national grid are a problem, Ana Lía Rojas, the executive director of the Chilean Association of Renewable Energy and Storage (ACERA) told Bloomberg Línea.

FEATURED Q&A / Continued from page 1

nearshoring. Harris also may raise tariffs on Chinese EVs. The 2026 USMCA review poses further risks—Trump might threaten to end the USMCA to renegotiate terms, and Harris may seek stricter labor and environmental provisions. The United States contests Mexico’s energy policies favoring state companies, while Mexico and Canada oppose U.S. demands for higher regional automobile content. More constructively, the U.S. Congress is mulling the ‘Americas Act’ to expand U.S.-Latin America trade deals and nearshoring incentives. While the bill’s passage is unclear, bipartisan U.S. efforts to counter China on economic and national security grounds should bolster Mexico’s long-term nearshoring potential. Mexico in turn must provide steady energy and water supply, boost domestic investment and ensure that judicial reforms don’t jeopardize the rule of law.”

A **Rodrigo Abud, managing director of Panorama in Monterrey, Mexico:** “Countless analyses frame Mexico’s nearshoring potential by highlighting its proximity to the United States and factors like labor costs and trade integration. Recent geopolitical shifts and supply chain disruptions have heightened the country’s attractiveness as a nearshoring destination. Last year, Mexico surpassed China as the top exporter to the United States, with exports valued at approximately \$490 billion. Tesla’s decision to suspend its investment in Mexico has raised concerns about how political uncertainty can affect economic activity. Whether this pause is due to Trump’s tariff proposals, Tesla’s financial performance—net income dropped 45 percent last quarter—or the ongoing political transition in Mexico remains uncertain. Attributing this development to a single cause oversimplifies the complexities involved. Multinational companies recognize that political instability poses inherent risks when operating in developing markets. Thus, suggesting that one event

will jeopardize nearshoring undermines the robust trade integration ingrained in the region’s trade agreement, the USMCA, which is up for review in 2026. Optimists argue that Mexico’s nearshoring potential will thrive regardless, but we need to consider our combined capacity to multiply growth by doing more than conventionally good. President-elect Sheinbaum’s plans to decentralize economic growth through regional hubs and focus more on high-value-added sectors are steps in the right direction. Economic cooperation between Mexico and the United States should not rely solely on geographic advantages or current investment figures. It needs an inclusive growth approach with a long-term vision prioritizing sustainability, regional development and the rule of law, fostering deeper relationships and mutually beneficial opportunities.”

A **Lucinda Vargas, associate director of the Center for Border Economic Development at New Mexico State University:** “The nearshoring trend has boosted Mexico’s attractiveness because of its most formidable competitive advantage: its proximity to the United States. This will continue to play in Mexico’s favor regardless of the outcome of the U.S. presidential election. Another of Mexico’s key advantages is the USMCA, which allows Mexican goods duty-free entry to the United States. However, under a Trump administration this privilege is in jeopardy if Mexican goods are relabeled as Chinese if produced by China-based companies. Trump’s anti-Chinese and even anti-Mexican bent on trade relations is clear and proven with actions during his first term as president. Yet, a Harris administration is also likely to more closely scrutinize what is entering the United States via Mexico. Currently in place is a Biden administration-led agreement between the United States and Mexico aimed at, in the interest of national security, monitoring the source of foreign investment entering each country. For the Unit-

Continued on page 4

FEATURED Q&A / Continued from page 3

ed States, this translates to an instrument that keeps tabs on Mexico-placed investment from China and other U.S.-unfriendly countries. Still, other concerns loom larger in Mexico, which threaten the nearshoring momentum. Chief among them is the country's deficient and insufficient infrastructure. Last year, more than 90 percent of industrial parks in Mexico suffered continuous blackouts. Mexican President-elect Sheinbaum promised a \$13.6 billion investment in the energy sector, yet the required investment solely to upgrade the country's generation and distribution of electricity is at \$38 billion to keep up with expected industrial demand. This is a reality check that there is much more to capitalizing on Mexico's nearshoring attraction than geography and the outcome of U.S. presidential elections."

A **Maribel Guerrero, associate professor of public policy and management at the School of Public Affairs at Arizona State University:** "Entrepreneurs and CEOs often view uncertainty as an attractive investment strategy, especially those in the cutting-edge emerging technological industry who are seeking high-risk returns. However, most foreign investors prefer to avoid uncertainty related to judicial or pension reforms and other structural problems such as immigration and insecurity (seen in the case of Mexico) and potential tax or trade reforms (seen

in Trump campaign promises). Therefore, Elon Musk's decision protects Tesla's current investments and investors' returns and sets a precedent. The Canada-United States-Mexico Agreement (USMCA) will be revised on July 1, 2026, by a commission comprising of minister-level representatives of the new Mexican and U.S. administrations. This commission could evaluate operations and the effects of the current geopolitical situation, including the increasing Chinese product presence in Mexico and high global inflation rates. If Trump wins the election, Musk's hypothesis, his promise of strict tariffs to protect the U.S. industry, supply chains and work force, could become a reality, affecting strategic industries related to electric vehicles. Similarly, if Musk's hypothesis is confirmed, Mexico, currently the first choice for many U.S. nearshoring companies, could be significantly affected if the next Trump administration changes the trade rules of the game. As a result, Musk's precedent could have a domino effect, leading to the re-localization of U.S. foreign investors, including the nearshoring industry. However, if Musk's hypothesis is false, Mexican uncertainty (unpredictable reforms and security problems) could dampen the U.S. nearshoring investment in Mexico."

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

Carl David Goette-Luciak
Reporter

Nili Blanck
Reporter



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

Ariel Fiszbein, Director, Education Program

Margaret Myers, Director, Asia & Latin America Program

Manuel Orozco, Director, Migration, Remittances and Development Program

Tamara Taraciuk Broner, Director, Peter D. Bell Rule of Law Program

Lydia Maria Dibos, Director of Development

Bruno Binetti, Nonresident Fellow

Sergio Bitar, Nonresident Senior Fellow

Álvaro Botero, Nonresident Senior Fellow

Santiago Canton, Nonresident Senior Fellow

Kevin Casas-Zamora, Nonresident Senior Fellow

Cristóbal Cobo, Nonresident Senior Fellow

Alejandra Cortázar, Nonresident Senior Fellow

Sandra García Jaramillo, Nonresident Senior Fellow

Peter Hakim, President Emeritus & Senior Fellow

Selina Ho, Nonresident Senior Fellow

Edison Lanza, Nonresident Senior Fellow

Michael Matera, Nonresident Senior Fellow

Ángel Melguizo, Nonresident Senior Fellow

Jaime Pumarejo, Nonresident Senior Fellow

Jeffrey Puryear, Senior Fellow

Luis A. Rivas, Nonresident Senior Fellow

Adrean Scheid, Nonresident Senior Fellow

Michael Shifter, Senior Fellow

Daniela Stevens, Nonresident Senior Fellow

Antonia Urrejola, Nonresident Senior Fellow

Lisa Viscidi, Nonresident Senior Fellow

Carlos Winograd, 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

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the Inter-American Dialogue. 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 Inter-American Dialogue.

