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FEATURED Q&A

How Confident Can Foreign Investors Be in Mexico?



After Mexico approved a controversial judicial reform in the waning days of her predecessor's administration, President Claudia Sheinbaum said the country is safe for foreign investment. // File Photo: @Claudiashein via X.

Q After taking office as Mexico's president on Oct. 1, Claudia Sheinbaum outlined 100 different policy points, which included a promise that Mexico would be safe for foreign investment, following the country's controversial passage of a judicial reform just before she took office. How successful will Sheinbaum be at attracting foreign investment? What policies will she promote to encourage foreign investment, and which industries will be most affected? What does the resignation of Deputy Finance Minister Gabriel Yorio, who has been seen as a figure of stability in the government, mean for foreign investment in Mexico?

A Carsten Wendler, partner, and Paulina Araiza Lozano, associate, both at Freshfields: "It is very early to judge President Sheinbaum's policy aimed at attracting foreign investments. Sheinbaum recently assured investors that their investments will be safe, promising a prudent fiscal policy and to maintain the central bank's autonomy. That said, some of the reforms she has endorsed—especially the reform of the judiciary—foster unpredictability. Until today, many of our clients were able to successfully resort to Mexican courts to seek redress against state measures whenever needed; in our experience, they trusted the Mexican judiciary. Now, as it is still unclear how the judicial reform will be implemented, our clients are concerned whether the judiciary will continue to act as a check and balance to the government and administration. The unrest felt by foreign investors is exacerbated when, after an indication of continuity in key cabinet figures, the deputy

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TODAY'S NEWS

POLITICAL

At Least Eight Dead After Violent Storms Hit Brazil

At least eight people were killed when violent storms hit Brazil on Friday. Seven people were killed in São Paulo state, and a soldier was killed in Brasília. Hundreds of thousands of households remain without power.

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BUSINESS

Brazil's Petrobras Reportedly Plans to Scale Back Investments

Brazilian state oil company Petrobras is planning to scale back planned investments for next year from \$21 billion to about \$17 billion, unnamed sources told Reuters.

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ECONOMIC

Guyana's Ali Announces Cash Payments, Free College Tuition

Guyanese President Irfaan Ali announced several perks, including a one-time cash payment and free college tuition.

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Ali // Photo: @presidentialguy via X.

POLITICAL NEWS

At Least Eight People Dead After Violent Storms Hit Brazil

Violent storms that swept across Brazil on Friday left at least eight people dead and caused numerous power outages, BBC News reported. Seven people were killed in São Paulo state, mainly as a result of falling trees and walls that fell after being pelted by rain and high winds, Agence France-Presse reported, citing the state's civil defense department. In Brasília, one soldier was killed and another was injured after a tree fell on them as they were removing a flag in front of the headquarters of the country's military police, according to the local command, the wire service reported. The storms brought winds of up to 60 miles an hour and as much as four inches of rain to central and southeastern parts of Brazil, according to the National Institute of Meteorology, BBC News reported. The storm also forced the shutdown of several airports and cut off water service in some areas, the Associated Press reported. Residents of São Paulo state described the downpour as brief but intense,

BBC News reported. The storm knocked out power to more than 2.1 million customers in the São Paulo metropolitan area; by Monday, electricity had been restored to all but 400,000 households, the AP reported. The outages led to protests by some residents who said that the government and energy company Enel were not acting fast enough to restore service. Enel said the storm affected 17 high-voltage transmission lines. Enel's CEO, Guilherme Alencastre, declined to give an estimate for when service would be restored to all households. He said the company was bringing in additional workers to conduct repairs.

ECONOMIC NEWS

Guyana's President Announces Perks Paid by Oil Wealth

Guyanese President Irfaan Ali announced several new social benefits for the country's people, including a one-time cash payment of nearly \$1,000 for every household, as well as free college tuition, the Associated Press reported Friday. Ali also said the country would lower

NEWS BRIEFS

Brazilian Authorities Start Blocking Illegal Gambling Websites

Brazilian authorities have started cracking down on illicit online gambling websites, blocking more than 2,000 sites deemed "irregular" in an attempt to enforce new regulations on the mobile gambling sector, the Associated Press reported Friday. Beginning in January, online gambling companies must comply with rules surrounding money laundering, fraud and false advertisement—and pay an annual fee of \$5.3 million—in order to receive clearance to operate in Brazil.

Protests Force Temporary Closure of Martinique's Airport

Protesters in Martinique forced their way onto the tarmac of the French Caribbean island's airport last week, forcing its temporary closure, the Associated Press reported Friday. The shutdown, which began Thursday night, backed up stranded passengers until the airport reopened on Friday morning. The island has been hit by protests over high costs of living. French Interior Minister Bruno Retailleau vowed to restore order, but he added that authorities must also consider residents' unhappiness.

Three Workers Sue Pemex Over Gas Exposure at Deer Park Refinery in Texas

Three workers at Pemex's Deer Park oil refinery in Texas have sued the Mexican state-owned energy company over exposure to hydrogen sulfide gas stemming from an accident last week that killed two contractors, Reuters reported on Monday. The plaintiffs allege that Pemex's actions "constituted negligence" and are seeking damages of more than \$1 million for injuries sustained from a hydrogen sulfide gas release at the refinery on Thursday that lasted nearly three hours, according to Reuters.

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finance minister resigned. In this regard, it will be critical that his successor secure the trust of investors quickly. Even though 2024 is still on track to become the year with the highest foreign direct investment on record, new investments are at a critical low. President Sheinbaum has emphasized her wish to promote the development of diverse industries, including automotive, with respect for labor rights, technological improvement and environmental sustainability. In this regard, experts argue that Sheinbaum's success in attracting foreign investment will boil down to her ability to capitalize on nearshoring. To do so, the relationship between President Sheinbaum and her future U.S. counterpart will be key."

A Lucinda Vargas, associate director of the Center for Border Economic Development at New Mexico State University: "It is

yet to be seen how President Sheinbaum actually delivers on her promise that Mexico is safe for foreign investors. Mexico, as a favored country in the nearshoring trend, has been attracting foreign direct investment (FDI) but unevenly. According to the World Bank, Mexico's net FDI flows fell in 2023 as compared to 2022, and only 12 percent of the total were new investments; the majority was reinvested earnings. A key bottleneck for FDI growth has been, and will continue to be, insufficient and deficient infrastructure in key areas such as ports and electricity. Will

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electricity bills by half and boost the monthly minimum wage from \$350 to \$500 beginning next year. The announcements came ahead of national elections, which must be held by December 2025. Ali announced the plans during a speech to the country's Parliament. Ali said the country's new oil wealth allows the government to implement the programs. After the parliamentary session, Vice President Bharrat Jagdeo said the country will easily be able to absorb the one-time cash payment to the 264,000 households in the South American country. We have a \$22 billion economy now," Jagdeo said at a press conference, the AP reported. Guyana's economy has boomed since a consortium led by ExxonMobil first discovered large oil deposits off the country's coastline in 2015. The country's oil production, which started in December 2019 and currently sits at about 645,000 barrels per day, is expected to rise to 1.3 million barrels per day by 2027, the AP reported. The country's economy grew by more than 30 percent in 2023, the fastest economic growth of any sovereign country in the world that year, according to the International Monetary Fund. The government's offer of free college tuition is among those the government is planning to tackle a high cost of living, said Jagdeo, the AP reported. The country had offered free higher education beginning in the 1970s, but pressure from the IMF led to its discontinuation in the 1990s. "Guyana's booming oil sector has been a key driver of the country's rapid economic growth, positioning it as one of the fastest-growing economies in the world," Steven Debipersad, a lecturer at Anton de Kom University of Suriname, told the weekly Energy Advisor in a [Q&A](#) published Sept. 20.

BUSINESS NEWS

Brazil's Petrobras to Scale Back Planned Investments

Brazilian state energy firm Petrobras will scale back planned investments for 2025 from \$21 billion to around \$17 billion, Reuters reported on Monday. Anonymous sources

THE DIALOGUE CONTINUES

Are Voters Likely to Approve Pension Reform in Uruguay?

Q In addition to choosing a new president, Uruguayans will vote on a pension reform referendum on Oct. 27. The proposed constitutional amendment, which Uruguay's largest labor union is pushing, would lower the retirement age to 60 from 65 and effectively grant the state a monopoly over the country's social security system. What effects would the pension referendum have on Uruguay's economic profile and social safety net? How is the issue affecting the presidential race, and who are the main supporters and opponents of the reform? How do the leading candidates plan on addressing the social, political and economic effects of the referendum?

A Adolfo Garcé, political science professor at Universidad de la República in Montevideo: "There is broad agreement between experts (economists and political scientists) that the constitutional reform proposed by the trade union movement is highly inconvenient. It would seriously affect the fiscal situation and would damage investor

confidence in Uruguay. The plebiscite has very little support in the party system. The entire government coalition is opposed and campaigning against it. The Frente Amplio presidential ticket is also opposed. The reform has support only from the left wing of the Frente Amplio (the Communist and Socialist parties). The majority of the Broad Front, including the powerful Movement of Popular Participation, whose leader is former President José Mujica, opposes it without hesitation. Given this scenario, it is highly unlikely that voters will approve the plebiscite. The latest polls show that less than 40 percent of the citizens are willing to vote for the reform. This helps to explain why none of the political parties have made it known what measures they would take in case the reform, against all odds, is approved."

EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in the Oct. 10 issue of the Advisor.

with knowledge of Petrobras' forthcoming 2025-2029 financial plan told Reuters that the company plans to focus on projects that require lower up-front investment and can deliver faster returns. Among them, Petrobras plans to prioritize the opening new oil and gas wells in a bid to boost earnings. Rising costs for equipment and financing, as well as slow environmental review processes for some projects, were among the reasons that influenced Petrobras' decision to trim investment plans, the wire service reported. Planners for Latin America's largest oil producing company by daily output want to present a "realistic" path forward when they unveil Petrobras' newest five-year investment roadmap in November, according to Reuters. It's unclear the extent to

which this new path will lean on lower-carbon energy sources; Brazilian officials have been pressuring Petrobras to expand its involvement in both renewable and carbon-intensive energy, the Economist reported earlier this year. The state oil company's main focus is the country's offshore pre-salt oil fields, Paulo Valois Pires, partner at Schmidt, Valois, Miranda, Ferreira & Agel Advogados, told the Dialogue's weekly Energy Advisor in a [Q&A](#) published Oct. 4. "We expect around one million more barrels/day from the pre-salt blocks in the upcoming years," he said. Petrobras is considering a partnership with major mining company Vale to reduce carbon emissions from transportation with alternative fuel sources, Reuters reported Monday.

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Sheinbaum correct this? It is unclear. Yet Sheinbaum is clear in her economic vision for Mexico, which is grandiose and nationalistic. She has promised 100 new industrial parks and the creation of 10 industrial corridors throughout the country to add to the 10 industrial hubs along the Tehuantepec interoceanic rail corridor planned by her predecessor. Practically all industries are being targeted: electronics, semiconductors, automotive, pharmaceuticals, medical de-

“**Sheinbaum is clear in her economic vision for Mexico, which is grandiose and nationalistic.**”

— Lucinda Vargas

vices, agroindustry, information technology, tourism, petrochemicals, renewable energy and data centers, among others. This is not realistic without a heavy dose of incentives for foreign investors, as this vision is unfeasible without them. Incentives, however, may come with some strings attached, such as minimum per-project employment levels and even assurances of the incorporation and development of national suppliers. Mexico seems to have launched an import substitution industrial strategy. Sheinbaum's administration recently reached out to U.S. auto and semiconductor manufacturers as well as global companies in aerospace and electronics located in Mexico suggesting they substitute some of the components they are currently importing from China and other Asian countries with Mexican inputs. Mexico is far from being the giant China is in its industrial might. It can take decades for the country to reach that status to edge out China as a world-class supplier.”

A **Isabel Clavijo Mostajo, vice president of institutional affairs at PRODENSA:** “Despite the recent judicial reform, Mexico remains an attractive destination for foreign investment. In her Oct. 1 speech, Dr. Sheinbaum highlighted some promising public policy changes. The first is a strong push toward energy transition and the integration of renewable energies. The second is a commitment to strengthening coordination with the United States to expand and improve certain border crossings, as well as enlargements at ports like Manzanillo and Lázaro Cárdenas, among others. Another point of interest for industry is the consolidation of the Sonora Plan and the development of new industrial parks. I also find the simplification and digitization of processes particularly relevant for foreign trade users. In essence, we are seeing public policy proposals aimed at enhancing infrastructure and facilitating trade, which are crucial for attracting new investments. Additionally, Dr. Sheinbaum appears to have a capable and well-prepared cabinet. However, it remains to be seen how much leeway they will have to execute and implement these policies. The resignation of Undersecretary Yorio shortly before the end of President López Obrador's term doesn't seem to be a cause for concern or instability. Finance Secretary Ramírez de la O remains, and the challenges are still the same—reducing the deficit and addressing spending pressures, among others. Once again, it will be important to observe the degree of flexibility the secretaries will have to implement the policies proposed by Dr. Sheinbaum.”

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

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