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FEATURED Q&A

Will Eliminating Regulatory Agencies Benefit Mexicans?

Mexican President Claudia Sheinbaum backed the elimination of seven independent regulatory and oversight agencies. // File Photo: Mexican Government.

Q **Mexico's Senate on Nov. 29 approved a measure that would eliminate seven independent regulatory and oversight agencies as part of President Claudia Sheinbaum's austerity strategy. The plan, which a majority of state legislatures ratified days later, does away with the independent body that handles freedom of information requests and places the autonomous antitrust watchdog Cofece under the economy ministry's supervision. What are the main reasons for the agencies' elimination, and what does it entail for the Mexican government? To what extent would it hinder citizens' access to accountability and transparency from government officials? How might these changes affect foreign investment?**

A **Luis Rosendo Gutiérrez Romano, Mexico's undersecretary for external trade:** "In Mexico, several reforms are underway to strengthen the rule of law, improve transparency and eradicate corruption. Several objectives are part of these reforms: dignifying public service careers with integrity; preventing institutional bad practices; modernizing public service through comprehensive digitalization of government processes; guaranteeing transparency in public bidding; improving accountability; prosecuting corruption and ending impunity. An overriding principle of the reforms is to comply with international independence standards. Every Monday, government officials meet with foreign and national investors to consider their concerns in relation to constitutional reforms. The American Chamber of Commerce, the Council of Global Companies and Consejo Coordinador Empresarial, among many others, have been engaged in these conversations. Thanks

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TODAY'S NEWS

ECONOMIC

Argentina Exits Recession as Economy Grows in Third Quarter

Argentina's economy grew 3.9 percent in the third quarter as compared to the second, technically bringing the country out of its recession. The economy shrank in annual terms, however.

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BUSINESS

Exxon Right of Refusal in Guyana Case: CEO

ExxonMobil wants to retain its right of refusal over Hess' planned sale of its assets in Guyana to Chevron, Exxon executives including its CEO said at an event.

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POLITICAL

Venezuela Releases 533 People Arrested After Election

Venezuela has released 533 people who were arrested following the country's disputed presidential election, Attorney General Tarek William Saab announced.

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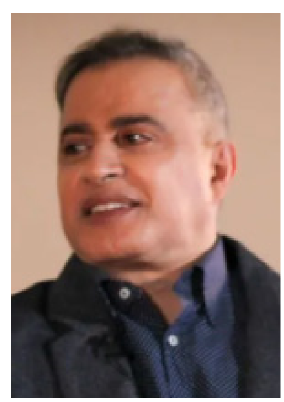

Saab // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuela Releases 533 People Detained in Post-Vote Protests

Venezuelan authorities has freed 533 prisoners detained in protests following the country's disputed presidential election in July, Attorney General Tarek William Saab's office announced Monday, Reuters reported. The 533 detainees represent around one quarter of the 2,400 people whom Venezuelan authorities report having arrested in connection with protests following the July 28 presidential vote, according to Human Rights Watch. Last week, President Nicolás Maduro's government released 103 detained protesters, Reuters reported. Intense street protests broke out across Venezuela after Maduro claimed victory in the general election, the AP reported. Venezuelan national guard and police forces killed at least 24 people in the ensuing crackdown, Human Rights Watch said in a report released in September. On Monday, a man who was detained in Venezuela during the post-election protests died in custody, according to a nongovernmental organization, the Associated Press reported. The Venezuelan Prison Observatory said the man, who was 43 years old, had been jailed for more than four months. The man, along with his son, were arrested on Aug. 1. The father was hospitalized in December with severe abdominal pain, which prison officials said was a "kidney colic," the AP reported. However, the man's family said "medical attention was delayed, and they were not given precise information about the condition," the nongovernmental group said in a post on social media site X. The man's son is still in custody. Following the July election, independent observers verified the legitimacy of vote tally sheets showing opposition candidate Edmundo González defeating Maduro in the election by a two-to-one margin; Maduro's government has not publicized evidence to support electoral authorities' assertion that he was re-elected with 52 percent of the vote, the AP reported. The United States and European Union, as well as regional countries including Argentina, Peru and Guatemala, have recognized González as the president-elect. The presidents of Brazil, Colombia and Mexico have all publicly called on Maduro to release data proving that he won re-election.

ECONOMIC NEWS

Argentina Exits Recession as GDP Grows 3.9% in Q3

Argentina's economy grew 3.9 percent in the year's third quarter, as compared to the second, marking the first quarter of growth since mid-2023, the Argentina's economy ministry announced Monday in a post on social media site X, citing data released by the country's national statistics agency. The growth means that Argentina has exited its period of technical recession, defined as registering a sustained decline in quarterly gross domestic product, which lasted for six financial quarters, Infobae reported. Argentina's economy still shrank in annual terms in the third quarter, down 2.1 percent in the third quarter compared to the same period of 2023, Reuters reported. Economists polled by Bloomberg News had predicted a 2.6 percent year-on-year drop in GDP for the third quarter. The positive GDP growth figure suggests that President Javier Milei's efforts to spur economic activity have made an impact—Argentina's central bank predicts that the economy will grow by 4.2 percent in 2025 after contracting by 3 percent in 2024, Bloomberg News reported. Significant new sources of foreign investment are likely to appear if Argentine regulators remove existing currency and capital controls, a move that

In annual terms, Argentina's economy contracted in the third quarter.

NEWS BRIEFS

Bolivian Prosecutors Seek Morales' Arrest

Bolivian prosecutors on Monday issued an arrest warrant for former President Evo Morales connected to a sexual abuse investigation involving his alleged relationship with a 15-year-old girl, the Associated Press reported. The warrant must be approved by a judge in order to authorize Morales' capture. Morales has refused an order to testify in the ongoing investigation, though he has publicly denied wrongdoing in the case, the AP reported.

Paraguayan Authorities Arrest 26 Near Border in Illegal Deforestation Case

Paraguayan authorities have arrested 26 people along the country's border with Argentina and Brazil for suspected involvement in illegal deforestation in October, Interpol announced Monday, the Associated Press reported. Twelve companies were involved in deforestation schemes that were uncovered earlier this year, in addition to two "criminal networks," the international security service said in its statement Monday. Authorities documented 28 different criminal offenses in the operation.

KEO World Expanding in Brazil Through Partnership With BTG

Miami-based financial technology company KEO World is expanding its operations in Brazil through a partnership with Brazil-based BTG Pactual Bank, KEO World announced Monday. KEO World provides businesses with digital tools to finance their supplies and boost cash-flow efficiency, the company said in a statement. As part of its partnership with BTG, KEO World's Workeo platform, which works with the American Express Business Link Platform, will allow businesses in Brazil to digitize invoice payments, the company said.

Milei's government has committed to making sometime in 2025, the news service reported.

BUSINESS NEWS

Exxon Wants to Keep Right of Refusal in Guyana: CEO

ExxonMobil wants to maintain its right to refuse Hess Corp.'s sale of its Guyana oil assets to rival Chevron, two ExxonMobil executives said at a company event last week, Reuters reported. Hess is one of the three partners operating the oil and gas consortium in Guyana's offshore Stabroek block; Hess owns a 30 percent stake alongside ExxonMobil, which has a 45 percent stake, and Chinese state-run CNOOC, which owns 25 percent of the venture. Chevron announced an agreement to purchase Hess in late 2023 for $53 billion, 60 to 80 percent of the value of which comes from Hess' stake in Guyana, according to Reuters. ExxonMobil and CNOOC have both rejected the planned acquisition, saying their agreement with Hess is structured as a merger. "We developed the value of that asset," ExxonMobil CEO Darren Woods said last week, Reuters reported. "We have the right to consider the value of that asset in this transaction, and then the right to take an option on it," Woods added. Hess has said that it does not plan to sell its Guyana assets to any other partner—including ExxonMobil—if the company is unable to conclude its sale agreement with Chevron, the wire service reported. Exxon also wants the arbitration panel that is weighing the case to consider Hess Guyana's value as part of their decision. "We'll look at the value and see if that value is in the best interest of the company, the corporation and the shareholders" said Exxon's senior vice president, Neil Chapman, Reuters reported. ExxonMobil said in its five-year spending proposal released last week that it aims to boost annual oil and gas output by 18 percent by 2030. Representatives for Hess and Chevron declined to comment to Reuters on the Exxon executives' comments.

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to proposals made in these sessions, significant changes were introduced to the original reform proposals. For instance, the judicial reform was improved by introducing evaluation committees for candidates and reshaping the mandate of the disciplinary tribunal. The energy reform introduced prevalence of previous contracts. There were also amendments in relation to transparency and technical independence for all reformed institutions. Independence of the seven institutions undergoing reforms is guaranteed. CONEVAL, a government agency responsible for evaluating social public policies, will merge with INEGI, which is already an independent institution. IFT (the Federal Institute for Telecommunications) will merge into COFECE as they share an antitrust mandate. COFECE maintains technical independence. INAI (the Institute for Transparency and Access to Information), the platform that guarantees transparency and freedom of information, will remain, but most of the day-to-day tasks will move to the newly created Anticorruption and Accountability Ministry. Public expenditures will continue being reviewed by an independent audit through the Auditoria Superior de la Federación. Accountability and transparency are the highest priority for the government of President Sheinbaum."

A **Lucinda Vargas, associate director of the Center for Border Economic Development at New Mexico State University:** "Mexico's embrace of statism, spearheaded by the previous administration, is going full throttle with the current government. It has just accomplished, under the guise of cost cutting, the elimination of seven independent regulatory and oversight agencies, such as the Federal Economic Competition Commission (COFECE), all noted for their technical expertise and sound institutional framework of checks and balances. The functions of all seven agencies have been ceded to various government ministries and institutes, violating thus a critical principle of basic rule of law—that government powers be subject to nongovernment checks. Mexico's rule-of-law indicators, as measured by the World Justice Project, have worsened in the last 10 years, but they have especially deteriorated in the last six years when the previous administration embarked on its state-control mission, which culminated with the installation of a politicized judicial system. Weak rule of law is bad for democracy and is bad for investors, foreign or otherwise. If COFECE, for example, now an entity of the state, is to evaluate the actions of a state company as monopolistic, it is likely not to find itself at fault and in favor of private-sector parties contesting the monopoly. Foreign direct investment in Mexico has been weakening, despite the earlier nearshoring furor. There is uncertainty on what government rules and actions may be arbitrarily applied to investors doing business in Mexico. Adding more uncertainty is the eventual outcome of the Trump tariff threat against the country. It is no surprise, then, that an estimated $35 billion of foreign investment planned for Mexico has stalled."

A **Arantza Alonso, senior analyst for the Americas at Verisk Maplecroft:** "'Corruption' and 'overspending' were President Claudia Sheinbaum's arguments to support the elimination of independent regulatory and oversight agencies. Notably, their dismantling was originally proposed by Sheinbaum's predecessor, Andrés Manuel López Obrador. Sheinbaum has argued that the elimination of regulatory watchdogs will not curb citizens' right to information, as watchdog functions will be absorbed by government agencies. However, this necessarily means that the government would become both judge and party, eroding checks and balances over its functioning. Notably, the erosion of oversight is a trend that we have seen since 2018, when many of Mexico's institutions—such as the National Electoral

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Institute, the Energy Regulatory Commission and the Federal Commission for Economic Competition—faced constant political pressure, suffered substantial budget cuts and underwent forced organizational restructuring. This significantly distorted their operations and hampered their ability to carry out their work. Indeed, since 2018, Mexico's performance on Verisk Maplecroft's Government Effectiveness Index—which captures the quality of policy formulation and implementation, perceptions of the quality of public and services and the degree of their independence from political pressures—has suffered an exceptional deterioration. These changes in Mexico's regulatory environment—together with the judicial reform that Congress approved in September—will undermine investors' confidence in the 'rules of the game.' This uncertainty will raise doubts about the government's ability to fairly manage private investment, particularly when bidding against state-owned entities, ultimately weakening the country's position as an attractive investment destination."

A **Dan Ciuriak, senior fellow at the Centre for International Governance Innovation in Waterloo, Ontario:** "Good governance and good economic performance are linked; this year's Nobel Prize in Economics went to three economists who contributed to this consensus. Countries characterized as having good governance have felt the need to populate their governance regimes with agencies that enjoy quasi-independence from the political authorities, including central banks, statistical agencies, quasi-judicial tribunals and others. Mexico certainly did in the past, witnessed by the seven independent agencies on the cutting block. The López Obrador government had six years to turn around the slide in Mexico's governance quality documented in indicators like the World Bank's Worldwide Governance Indicators; it failed, and what the Sheinbaum administration inherits promises to be more of the same. In Canada, we have some experience with the consequences of increased political control over the civil service. The Mulroney government came into power in the 1980s with the offer of 'pink slips and running shoes' (severance packages) to senior public servants to remove what it felt was ideological opposition to its program. Canada never recovered the relative level of per capita income it then enjoyed compared to the United States. Also, the Progressive Conservative party never recovered from its obliteration two elections later, when it was reduced to two seats in the House of Commons. If Mexico removes internal constraints, it will inevitably meet external constraints. This might come from foreign investors, who are sophisticated and know how to structure covenants to safeguard their interests. But concentration of power, like gluttony, is usually its own punishment."

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

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