

## 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**  
Former Senior Vice President,  
Royal Caribbean Group
- 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

# What Will a Higher Minimum Wage Mean for Mexicans?



Mexico will raise its minimum wage by 12 percent on New Year's Day. Workers in Guanajuato state are pictured. // File Photo: Mexican Government.

**Q Mexico will raise its minimum wage by 12 percent, a commission made up of government, labor and business representatives announced on Dec. 4. The new daily minimum wage of about 279 pesos takes effect on New Year's Day. The minimum wage will be higher, about 420 pesos daily, along the country's border with the United States. How significant is this minimum wage increase as compared to past wage hikes? Who stands to benefit most from the decision? To what extent will the change lead to a tangible improvement in the daily lives of Mexicans, and how will businesses be affected?**

**A Lucinda Vargas, associate director of the Center for Border Economic Development at New Mexico State University:** "Mexico's minimum wage more than doubled during the six years of the previous administration, increasing on average 19 percent per year from 2019 to 2024. The 12 percent minimum wage increase to take effect in 2025, which is to be followed by similar annual increases during the Sheinbaum administration, has the stated target of achieving, by 2030, a minimum-wage earner's ability to afford 2.5 baskets of basic grocery goods, up from 1.8 baskets afforded by the current minimum wage. Of the 59.5 million employed workers in Mexico in the third quarter of 2024, around 37.4 percent earned the minimum wage, while 32 percent earned up to twice the minimum wage. Regarding the higher minimum wage that applies in Mexico's northern border zone, companies operating in this region typically pay wages that surpass the required higher minimum for that zone. Of high relevance in Mexico's broader labor

Continued on page 3

## TODAY'S NEWS

### ECONOMIC

## Trump Suggests Attempt to Retake Panama Canal

U.S. President-elect Donald Trump suggested on Sunday that he may seek to retake control of the Panama Canal after he takes office in January. Panama's president rejected the notion.

Page 2

### BUSINESS

## Occidental Gets License for Colombia Project

Colombia's environmental agency on Friday approved a license for U.S.-based Occidental Petroleum to proceed with exploring for oil and gas in a deepwater block off the Colombia's coast.

Page 2

### POLITICAL

## Colombia's ELN Rebels Announce Christmas Truce

Colombia's ELN rebel group on Sunday announced a unilateral truce, saying it will halt attacks until Jan. 3. President Gustavo Petro expressed hopes for an end to the conflict in the coming year.

Page 2



Petro // File Photo: Colombian Government.

## POLITICAL NEWS

## Colombia's ELN Rebels Announce Christmas Truce

Colombia's National Liberation Army, or ELN, rebel group on Sunday announced a unilateral truce, which it said would last until Jan. 3, the Associated Press reported. In a statement posted to social media site X, the ELN said it was temporarily halting attacks on Colombia's military during the Christmas and New Year's holidays. Colombian President Gustavo Petro said in a statement on his X account that "the end of the war is the nation's goal for 2025." Two years ago, the ELN started peace talks with Petro's government that resulted in a cease-fire that started in August of last year. The cease-fire expired after a year, and the ELN resumed attacks on military targets and infrastructure in Colombia. The rebels attacked pipelines several times after the expiration of the cease-fire. The government and the ELN "must show political will through actions" in order for dialogue to advance, Gimena Sánchez-Garzoli, director for the Andes at the Washington Office on Latin America, told the Advisor in a [Q&A](#) published Sept. 13. "The Colombian government wants the ELN to stop its criminal activities and not to convolute the agenda. The ELN wants full political recognition by being removed from the list of organized armed groups," she said.

## ECONOMIC NEWS

## Trump Suggests Attempt to Retake Panama Canal

U.S. President-elect Donald Trump suggested on Sunday that he may seek to retake control of the Panama Canal, saying the Central American country is charging "ridiculous" fees to shippers using the waterway, the Associat-

ed Press reported. "We're being ripped off at the Panama Canal like we're being ripped off everywhere else," Trump told attendees at a conservative conference in Phoenix, The Wall Street Journal reported. "We will never, never let it fall into the wrong hands," he added. Trump, who takes office on Jan. 20, did not say how he intended to retake control of the canal, which the United States built in the early 1900s and then ceded to Panama in 1999. Panamanian President José Raúl Mulino rejected the suggestion. "Every square meter of the canal belongs to Panama and will continue to belong" to Panama, Mulino said in a video released after Trump's comments, the AP reported. Also on Sunday, Trump hinted that he still wants to buy Greenland from Denmark, an offer that Denmark rejected in 2019 during Trump's first term in office, Bloomberg News reported. Trump said on the Truth Social platform that control of Greenland is an "absolute necessity" for U.S. national security.

## BUSINESS NEWS

## Occidental Receives License for Colombia Deepwater Project

ANLA, Colombia's environmental licensing agency, on Friday announced that it has granted a license to a subsidiary of U.S.-based Occidental Petroleum, Reuters reported. The license allows the company to proceed with exploring for oil and gas resources in an offshore deepwater block along Colombia's northeastern Caribbean coastline, according to the wire service. Occidental's project had been suspended in October due to inadequate permits, Infobae reported. "This project, subject to control by the ANLA to demand high environmental standards, is of strategic importance for the country, seeking to increase gas reserves that will guarantee energy self-sufficiency for several more years and mitigate a possible gas shortage in the near future," ANLA general director Rodrigo Negrete Montes said Friday in a statement.

## NEWS BRIEFS

## At Least One Person Dead as Brazil Bridge Collapses, Dumps Acid Into River

A bridge linking two northern states in Brazil collapsed on Sunday, killing at least one person and causing a tanker truck to spill sulfuric acid into the Tocantins River, Reuters reported. At least three other vehicles plunged into the river in the incident; Brazilian authorities said they paused search and rescue operations after learning of the sulfuric acid leak, the wire service reported. In the weeks leading up to the collapse, local officials had warned of deteriorating structural conditions at the bridge, which opened in 1960.

## Trump Names Claver-Carone as Special Envoy to Latin America

U.S. President-elect Donald Trump on Sunday announced that he has selected Mauricio Claver-Carone to be the State Department's special envoy for Latin America, Politico reported. Claver-Carone was a senior advisor to Trump's first administration, helping craft the strategy of "maximum pressure" against the government of Venezuelan President Nicolás Maduro, Politico reported. Claver-Carone is the son of two Cuban exiles and most recently served as the head of the Inter-American Development Bank.

## Mexico's Restrictions on U.S. Genetically Modified Corn Violate Treaty: Panel

Mexico's restrictions on U.S. exports of genetically modified corn violate the USMCA trade agreement, a dispute settlement panel ruled Friday, Reuters reported. In the long-running case, the three-member panel sided with all seven U.S. legal claims, saying that Mexico's restrictions on genetically modified corn are not rooted in science.

## FEATURED Q&amp;A / Continued from page 1

landscape is the fact that the majority of Mexico's work force, more than 54 percent, makes a living in the informal economy. This translates to more than 33 million people who are left out of any minimum wage consideration altogether. Mexico's current uncertain business climate is slowing down investment and hence job growth. Banco de México has revised down its GDP forecast to just 1.1 percent for 2025. The border city of Juárez, in Chihuahua state, whose maquiladora manufacturing sector was booming at the outset of the nearshoring bonanza, has already shed nearly 14,000 jobs this year given the investment slowdown."

**A** **Ana Canedo, assistant professor in the Department of Demography and Population Studies at the University of Montreal:** "The real question is not whether Mexico's recently announced 12 percent minimum wage increase is good or bad, but rather how long such annual increases can be sustained. Most would agree that President Sheinbaum's announcement, effective in January, is positive. For decades, Mexico's minimum wage remained extremely low, with minimal adjustments for inflation. From a worker's perspective, this increase is welcome—just below former President López Obrador's 20 percent increase between 2023 and 2024—as projections suggest the minimum wage will cover 2.5 times the basic food basket by 2030, an acceptable level above Mexico's poverty threshold. However, not every increase will continue to be smooth sailing. Previous hikes avoided adverse effects on inflation and informality—informality even declined slightly under López Obrador—but concerns persist about potential future impacts. Earlier increases were less burdensome for businesses due to the low baseline, but with a 135 percent increase since 2018, the gap between minimum and mean wages is narrowing. For small businesses or those heavily reliant on labor costs, this creates

mounting financial strain. It is also important to remember that minimum wage policies fail to reach more than half of Mexico's workers, as 56.5 percent are in the informal sector. Evidence also suggests that the impact of such policies on poverty reduction is typically modest. Nevertheless, these efforts support vulnerable segments of the work force, particularly when combined with complementary measures like the recently passed labor reform for digital workers."

**A** **James Gerber, professor emeritus of economics at San Diego State University:** "For many decades, the standard economic analysis of the effects of legislated increases in the minimum wage was that they benefited a few recipients at the cost of a non-trivial loss in jobs. This analysis was based on a simple supply and demand framework where the wage increase was analyzed as an upward shift of the supply curve that increased the cost of labor and reduced the demand for workers. Over the last two or three decades, a large number of empirical studies, including work by Nobel laureates, have shown that minimum wage increases do not lower the overall demand for workers or lead to a loss of jobs unless the increase is extremely large. When López Obrador took office in 2018, the minimum wage was 88 pesos per day. After five moderate increases, it will rise to about 279 pesos per day (outside the northern border region) in 2025 when the new wage takes effect. While that is a big jump from its value at the start of the previous sexenio, it is only a cumulative increase of about 20 percent when adjusted for inflation. Undoubtedly, some businesses will be burdened by the increase, but overall, higher wages increase the purchasing power of consumers and the demand for local goods and services. In addition, wage increases will help push businesses toward models of competitiveness that do not depend on low wages."

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

**Gene Kuleta**  
Editor

**Jack Quinn**  
Reporter

**Nili Blanck**  
Reporter



**Rebecca Bill Chavez, Ph.D.,** President & CEO  
**Alfonso Blanco,** Director, Energy Transition & Climate Program

**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 Cantón,** Nonresident Senior Fellow

**Kevin Casas-Zamora,** Nonresident Senior Fellow

**Alejandra Cortázar,** Nonresident Senior Fellow

**Peter Hakim,** President Emeritus & Senior Fellow

**Selina Ho,** Nonresident Senior Fellow

**Edison Lanza,** 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](http://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.