

# THE DIALOGUE

## Latin America Advisor

[www.thedialogue.org](http://www.thedialogue.org)

Friday, January 31, 2025

## BOARD OF ADVISORS

**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&amp;A

## What's on the Table for Renegotiation of the USMCA?



The U.S.-Mexico-Canada trade accord, known as the USMCA, is up for review next year but could see an early renegotiation. // File Photo: Canadian Government.

**Q** Reiterating his concerns about unauthorized migration, fentanyl trafficking and trade deficits, U.S. President Donald Trump said Thursday that he will impose tariffs of 25 percent on goods from Canada and Mexico beginning Saturday. Trump has been threatening the tariffs as part of an effort to pressure the neighboring countries into early renegotiations of the USMCA trade accord, *The Wall Street Journal* reported Jan. 21. The free trade agreement is currently scheduled for a review in 2026. How likely are the United States, Mexico and Canada to start early on renegotiating the deal, and what are the main parts of the agreement that could be changed? What will each of the three countries want in a renegotiated deal? What will be the economic impact for the three countries of an altered USMCA, and which sectors will be most affected?

**A** Joy K. Gallup, partner at Baker McKenzie: "President Trump's threat of 25 percent tariffs on its two largest trading partners is being used as a weapon for more than one purpose. Trump's initial goal—extracting cooperation from Mexico and Canada on larger border issues of illegal immigration and fentanyl trafficking—is already progressing, with leaders of those countries implementing policies intended to tighten border security. In addition, Trump pledged to support U.S. farmers and workers as part of his campaign, and he intends to use tariffs broadly to do so. Mexico and Canada are likely to retaliate with tariffs of their own, which will affect all three economies, but obviously Canada and Mexico have much more to lose. An early review of the USMCA and individual tariffs is expected to begin once

Continued on page 3

## TODAY'S NEWS

## ECONOMIC

### U.S. Tariffs on Canada, Mexico May Exclude Oil: Trump

U.S. President Donald Trump said he will impose tariffs of 25 percent on imports from Canada and Mexico beginning Saturday but said those tariffs may exclude oil.

Page 2

## BUSINESS

### Fintech Wise Launches Operations in Mexico

Payment firm Wise, which provides remittance services, announced Thursday that it has launched operations in Mexico.

Page 3

## POLITICAL

### Nicaragua's Assembly Consolidates Ortega's Power

Nicaragua's National Assembly unanimously approved reforms that remove many of the remaining checks on President Daniel Ortega's power.

Page 2



Ortega // File Photo: Nicaraguan Government.

## ECONOMIC NEWS

## U.S. Tariffs on Canada, Mexico May Exclude Oil: Trump

U.S. President Donald Trump on Thursday said he will follow through on his threats to impose tariffs of 25 percent on imports from Canada and Mexico beginning Saturday, though he said oil imports may be excluded, CNBC reported. "Oil is going to have nothing to do with it as far as I'm concerned," Trump told reporters Thursday evening in the Oval Office. "We're going to make that determination probably tonight on oil. Because they send us oil, we'll see—it depends on what their price is," he added, CNBC reported. On Thursday afternoon, Trump said he would follow through with the tariffs on Saturday, reiterating his concerns about unauthorized migration, fentanyl trafficking and trade deficits. "I'll be putting the tariff of 25 percent on Canada, and separately, 25 percent on Mexico, and we'll really have to do that," Trump told reporters, Politico reported. Trump said there were "a number of reasons" for imposing the tariffs. "Number one is the people that have poured into our country so horribly and so much. Number two are the drugs, fentanyl and everything else that has come into the country. And number three are the massive subsidies we are giving to Canada and to Mexico in the form of deficits," said Trump, Politico reported. Despite Trump's vows to impose the tariffs, his advisors are considering several ways they could be avoided, The Wall Street Journal reported late Thursday, citing unnamed people familiar with the matter. Trump also may announce tariffs on Saturday that affect only certain sectors, such as aluminum and steel, instead of imposing tariffs on all imports, The Wall Street Journal reported. New tariffs could also be imposed with a grace period before they are implemented, allowing for negotiations to continue with Canada and Mexico, the sources told The Wall Street Journal. The Mexican and Canadian governments have previously said that they may retaliate if the United States imposes new tariffs on imports from

their countries. "If there are U.S. tariffs, Mexico would also raise tariffs," Mexican President Claudia Sheinbaum said last week at a press conference, Reuters reported. In an interview on CNBC, Mary Ng, Canada's international trade minister, said "everything is on the table" regarding how Canada may respond to new tariffs from the United States. She also refused to rule out export taxes on Canada's energy exports to the United States.

## POLITICAL NEWS

## Nicaragua's Assembly Consolidates Ortega's Power in Reforms

Nicaragua's National Assembly in a unanimous vote on Thursday approved a series of constitutional reforms that remove many remaining checks on the power of President Daniel Ortega, Reuters reported. The reforms formally give Nicaragua's president additional oversight of the legislative and judicial branches of Nicaragua's government; the reforms also expand the policing powers of the Nicaraguan armed forces, which report directly to the president, and make it possible for sitting security agents to assume government positions in the executive branch on a temporary basis, Al Jazeera English reported. Critics claim the constitutional reforms will further erode accountability of Ortega's government, which faces allegations of suppressing civil society and media organizations, Reuters reported. Ortega first presented the reform package to the National Assembly in November. "Nicaragua's government is a revolutionary government, even if that hurts some people's feelings," National Assembly President Gustavo Porras said during a legislative session earlier this month, Al Jazeera English reported, citing state-run media. The reforms also extend presidential terms to six years from four years, and they formally elevate the vice presidency—a position currently held by Rosario Murillo, Ortega's wife—to the role of "co-president." In the event of Ortega's death, Murillo would now formally

## NEWS BRIEFS

## Trump Seeking to Deport Venezuelan Gang Members to El Salvador

U.S. President Donald Trump is seeking to deport members of the Venezuelan Tren de Aragua gang to El Salvador, Bloomberg News reported Thursday, citing unnamed people familiar with the matter. U.S. officials plan to discuss the plan during Secretary of State Marco Rubio's Feb. 1-6 trip to the region. He is to visit Panama, El Salvador, Costa Rica, Guatemala and the Dominican Republic. Trump last week moved to designate Tren de Aragua, along with MS-13, as foreign terrorist organizations.

## Argentine Central Bank Cuts Interest Rate as Inflation Slows

Argentina's central bank on Thursday cut its benchmark interest rate by 300 basis points from 32 percent to 29 percent as inflation continues to trend downward in the South American country, Reuters reported. Annual inflation was 118 percent in December after peaking at more than 300 percent in May 2024. Beginning next week, the regular rate of currency devaluation, or cepo, will slow from 2 percent to 1 percent per month, the wire service reported.

## Better-Than-Expected Guyana Production Helps Drive Exxon's Earnings

ExxonMobil today reported fourth-quarter unadjusted profit of \$7.39 billion, about 7 percent higher than market analysts had predicted, due partially to better-than-expected production and cost margin figures from the company's operations in Guyana, Reuters reported. More than 50 percent of the company's oil production last year came from a combination of oil from Guyana and Texas' Permian Basin as well as liquid natural gas, ExxonMobil said today in an earnings call, the wire service reported.

take power as head of state immediately, with no general election needed, Reuters reported. [Editor's note: See related [Q&A](#) in the Dec. 20 issue of the Advisor.]

## BUSINESS NEWS

# Payment Fintech Wise Launches Operations in Mexico

London-based cross-border payment fintech Wise has launched operations in Mexico, opening a new remittance platform accessible to Latin America's largest Spanish-speaking country, the company announced in a press release on Thursday. The firm aims to provide remittance services between the United States and Mexico, a remittance market with total value of more than \$63 billion in 2023, according to BBVA Research. Remittances, most of which came from the United States, accounted for 4 percent of Mexico's gross domestic product in 2023, the last full year with accessible data, Bloomberg News reported. Wise says its cross-border payment platform in Mexico differs from other alternatives in its transparency over fee structure; other remittance providers in the country conceal an average 10 percent of costs in hidden fees, Bloomberg News reported. "We are eager to make a positive impact on the millions of Mexicans who regularly go through this process and are looking for a better, more convenient experience without the burden of excessive fees," said Efrain Florencia, Wise's country manager for Mexico, in Thursday's statement. Also on Thursday, the U.S. Consumer Financial Protection Bureau ordered Wise to pay a \$2 million civil penalty, as well as \$450,000 in customer compensation, for allegedly publishing misleading advertising surrounding the company's fee structure, the Financial Times reported. Wise claims that while some customers may have been charged higher fees than intended in the past, all such cases have since been compensated in full, the Financial Times reported.

## FEATURED Q&A / Continued from page 1

the new administration's economic team is fully in place. Canada seeks better terms on timber and other commodities, while Trump wants to limit crude oil imports, among other things. The United States is concerned that China has entrenched itself in the supply chain for steel and aluminum from Mexico and wants to renegotiate the USMCA's content requirements. Mexico will want to protect its manufacturing industries along with its agricultural sector, including corn. All three countries will be concerned about disruptions to the auto parts supply chain, which is deeply intertwined. Interestingly, the U.S. share of global trade has declined, so the threat of tariffs, while serious for Canada and Mexico in the short term, may drive trade away from the United States in the long term."

**A Roberta Lajous, former Mexican ambassador to Cuba, Bolivia and Spain:** "President Trump has already instructed his cabinet to initiate an internal review of the USMCA, which is encouraging news. Eight years ago, he sought to abandon NAFTA, labeling it the worst trade deal the United States had ever signed. After initial panic in the three capitals of North America, a renegotiation process commenced, resulting in the creation of the USMCA. Since then, Mexico has become the United States' primary trade partner, and it is in the best interest of all parties to maintain a cooperative relationship. However, the downside is that a prolonged review process—set to begin in mid-2026—will create uncertainty for investors, leading to a period of hesitation before making long-term decisions. New investment in Mexico from our partners has not met expectations, especially since 'nearshoring' became a U.S. policy objective following the pandemic and the increased competition with China. Ideally, the review process involving all three countries should not lead to a renegotiation. Significant changes for both the United States and Canada would

necessitate a new authorization process, which carries uncertain legislative support. President Sheinbaum holds a majority that could facilitate her government's full compliance with the USMCA, particularly regarding

**“ President Trump has already instructed his cabinet to initiate an internal review of the USMCA, which is encouraging news.”**

— Roberta Lajous

energy and corn, where Mexico has been lagging. Nevertheless, recent modifications to Mexico's independent regulatory framework and proposed changes to the judiciary this year raise questions about compliance that President Sheinbaum will need to address to ensure a successful review of USMCA in its current form."

**A Carlo Dade, director of the Trade & Investment Centre at the Canada West Foundation and member of the Mexican Council on Foreign Relations:** "More important than the usual issues on the table for renegotiation will be the conditions under which any renegotiation takes place. The work to prepare for USMCA negotiations, coupled with recent, more rushed work to run numbers, survey business and figure out how to respond to the 'more-drastic-than-losing-USMCA' shocks of a possible 25 percent tariff on Canadian exports to the United States, should prepare Canada for negotiations with a second Trump administration. This work may also change the dynamics of the negotiations, as it contributes to the evidence that Canadian trade could survive an end to the North American agreement if it means a move to WTO Most Favored Nation tariffs. Earlier economic modeling by noted

Continued on page 4

## FEATURED Q&amp;A / Continued from page 3

economist Dan Ciuriak, which compared the replacement of the NAFTA agreement with the USMCA to the replacement of NAFTA with WTO MFN tariffs, found a similar impact from both scenarios. In other words, with the move to the USMCA, Canada has already experienced GDP and welfare losses akin to losing the agreement. A line-item analysis by the Canada West Foundation of the top 25 exports to the United States from each of Canada's western provinces aligns with the modeling. Should CUSMA end, roughly 40 percent of the top exports would remain at zero tariff under the WTO rates. For products that see an increase, it is generally in the 2-5 percent range. The largest variant of oil from Alberta by value would see a charge of five U.S. cents per barrel, or an effective tariff of 0.07 percent at current prices. Economic losses from tariffs are quantifiable, but the loss of confidence that the agreement gave to spur investment and trade may be greater."

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

"President Trump's tariff threats against Mexico and Canada have effectively already kicked off an early renegotiation process of the agreement, as the two countries have started taking steps to adjust to the reality of both U.S. tariffs and an early renegotia-

tion of the deal. They cannot afford not to do so. The economies of both Mexico and Canada are much more trade-reliant than that of the United States. In 2023, trade as a share of GDP reached 73 percent and 67 percent in Mexico and Canada, respectively, compared to 25 percent in the United States. Moreover, the United States buys 80 percent of Mexico's exports and 67 percent of Canada's. Predictably, both Canada and Mexico have stated their intention to retaliate with their own tariffs on U.S. exports, unraveling a possible trade war with negative effects on all parties—inflation would spike, export-related jobs would be lost, and full-blown recessions would ensue in Mexico and Canada. A recession in Mexico could potentially trigger migrant flows to the United States, which the Trump administration is trying to stem. The United States seems to be zeroing in on Mexican goods made by Chinese companies for USMCA duty-free export to the United States. A renegotiated USMCA is likely to contemplate new rules-of-origin requirements. For example, USMCA rules stipulate 75 percent North American content on automotive products for duty-free U.S. entry. Given the recent boom of Chinese auto parts made in Mexico for export to the United States, new rules could blatantly stipulate that, for U.S. duty-free access to apply, no automotive product in any phase of its production chain in North America is to be associated in any way with China."

## LATIN AMERICA ADVISOR

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

**Gene Kuleta**  
Editor

**Jack Quinn**  
Reporter



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

**Alfonso Blanco**, Director, Energy Transition & Climate 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

**Eric Jacobstein**, Nonresident Senior Fellow

**Edison Lanza**, Nonresident Senior Fellow

**Jaime Pumarejo**, Nonresident Senior Fellow

**Jeffrey Puryear**, Senior Fellow

**Luis A. Rivas**, Nonresident Senior Fellow

**Mauricio Roitman**, 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.

## Upcoming Events

### ONLINE EVENT: Frontiers of the Energy Transition

February 4, 2025 | 10:00 a.m. ET

### Peru's Path Forward: Navigating Political, Economic, and Global Dynamics

February 5, 2025 | 10:00 a.m. ET

### A Roadmap to Protect Independent Journalism in Repressive Countries

February 6, 2025 | 10:00 a.m. ET

