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FEATURED Q&A

What Did the U.S. & Mexico Accomplish in High-Level Talks?



Mexican President Andrés Manuel López Obrador met with U.S. officials including Secretary of State Antony Blinken and Commerce Secretary Gina Raimondo this month during high-level talks in Mexico City. // Photo: @SecBlinken via Twitter.

Q U.S. Secretary of State Antony Blinken led a delegation to Mexico City on Sept. 12 for an annual meeting of the U.S.-Mexico High-Level Economic Dialogue (HLED). The U.S. delegation focused its agenda on two recently enacted U.S. laws: the \$280 billion Chips and Science Act, which fosters semiconductor manufacturing, and the Inflation Reduction Act, which the administration hopes will advance cooperation in the renewable energy sector in Mexico. Meanwhile, Mexican officials focused on security ties. What were the most important advances to come out of the recent talks, and what new avenues of cooperation will they lead to between the United States and Mexico? What is the state of U.S.-Mexico economic relations, and what are the biggest problems in the trade relationship that need to be worked out?

A Michael C. Camuñez, president & CEO of Monarch Global Strategies, former U.S. assistant secretary of commerce and principal architect of the U.S.-Mexico High Level Economic Dialogue: "The HLED was born in 2013 from the recognition that our two nations desperately need an appropriate platform to discuss, at the highest levels, strategic issues related to our long-term global competitiveness. The reality is that Mexico historically had not received the attention it deserved in Washington. More recently, painful supply chain disruptions from the pandemic, together with increasing tensions with China, have highlighted the value and importance of this key bilateral relationship. The passage of the CHIPS and IRA bills now creates an urgent and compelling reason for the HLED to kick into action.

Continued on page 3

TODAY'S NEWS

POLITICAL

U.S. Embassy in Cuba to Resume Visa Processing

The U.S. Embassy in Havana will resume fully processing immigrant visas early next year, the Biden administration said Wednesday.

Page 2

BUSINESS

Mexico's CFE Sues Two Former Execs Over Supply Deal

Mexican state-run power utility Comisión Federal de Electricidad on Wednesday filed a breach of contract lawsuit alleging that two former executives improperly awarded a gas supply deal.

Page 3

POLITICAL

Former Honduran First Lady Gets 14 Years in Prison

Former Honduran First Lady Rosa Elena Bonilla de Lobo was sentenced to 14 years and one month after being convicted on corruption charges stemming from when her husband, Porfirio Lobo, was president.

Page 2



Bonilla // File Photo: Honduran Government.

POLITICAL NEWS

Former Honduran First Lady Sentenced to 14 Years in Prison

Rosa Elena Bonilla de Lobo, the wife of former Honduran President Porfirio Lobo, was sentenced Wednesday to 14 years and one month in prison after being convicted on corruption charges, local daily newspaper La Tribuna reported. Bonilla had previously been sentenced to 58 years in prison, but that conviction was thrown out because of inconsistencies in the process, the Associated Press reported. She was put on trial again last March and convicted of embezzlement and fraud. She was found guilty of embezzling more than \$1 million in government money between 2010 and 2014 when her husband was Honduras' president. Bonilla will be able to appeal the sentence within 20 days, court spokesman Carlos Silva told the AP. Bonilla's private secretary, Saúl Escobar, was also sentenced on Wednesday—to seven years and three months in prison after being convicted on related fraud charges.

U.S. Embassy in Cuba to Resume Visa Processing

The U.S. Embassy in Cuba will resume fully processing immigrant visas early next year, Biden administration officials said Wednesday, CBS News reported. The policy change means that Cubans seeking immigrant visas will no longer need to travel to Guyana for the required interview as they will be able to do it in Havana. The U.S. State Department also said that it will send additional staff to the embassy to help expedite visa processing for those applying through the Cuban Family Reunification Parole program. In September, the Biden administration resumed the 2007 program, which had been halted under the Trump administration, that allows U.S. citizens and lawful permanent residents who are sponsoring relatives to

apply for them to come to the United States sooner than they would otherwise be able to. The announcement came as the U.S. government struggles to address a sharp increase in immigration from Cuba this year and aims at discouraging illegal immigration. On Monday, U.S. Customs and Border Protection released its most recent statistics, saying it had stopped Cubans trying to enter the United States through the border 19,057 times in August, more than four times the amount of stops made in August 2021, the Associated Press reported. The U.S. Embassy in Havana last fully processed immigrant visas in 2017, when the Trump administration discontinued the policy, CBS News reported.

ECONOMIC NEWS

Barbados Planning to Refinance \$150 Million in Debt

Barbados' government announced Wednesday that it will refinance \$150 million in debt through a reversion deal that will generate \$50 million in savings that will be allocated to ocean conservation, the Associated Press reported. Barbados repurchased a portion of its outstanding debt and issued lower-cost debt that is backed by both the Inter-American Development Bank and The Nature Conservancy (TNC) through its "Blue Bonds" program, Bloomberg News reported. It is estimated that the lower debt payments will free up "approximately \$50 million to support environmental and sustainable development actions in Barbados over the next 15 years," the TNC said in a statement. Barbados has committed to using the money to protect at least 30 percent of the ocean surrounding the island as well as develop its sustainable use of ocean resources. "This climate crisis is one that requires the urgent action of all," Barbados' prime minister, Mia Mottley, said Wednesday, the Associated Press reported. Less than one percent of the country's marine space, the fourth largest in the Caribbean, is currently protected, Sherry

NEWS BRIEFS

Brazil's Lula Eyes E.U.-Mercosur Trade Deal Within Six Months

Former Brazilian President Luiz Inácio Lula da Silva said Wednesday that, if elected the country's president next month, he expects to reach an agreement on a trade deal between the Mercosur trade bloc and the European Union within six months, Reuters reported. Brazil needs such an agreement and must export as many goods as possible, especially from the agricultural sector, Lula told local broadcaster Canal Rural.

PAHO Director Urges Wider Vaccination Against Polio, Monkeypox, Covid

Carissa Etienne, the director of the Pan American Health Organization, on Wednesday called on countries of the Americas to "urgently strengthen surveillance and routine vaccination campaigns" in the face of rising cases of polio, monkeypox and continued Covid-19 deaths in the region. "It's been nearly 30 years since the Americas became the first global region to wipe out wild polio," but "dwindling vaccination rates, worsened by the Covid-19 pandemic, have left many of our populations unprotected," she added.

Mexico's Crédito Real Could Face Lawsuit Following Bond Default

Mexico-based payroll lender Crédito Real could face a lawsuit from foreign bondholders seeking to recoup losses after the company defaulted on a \$176 million bond in February, Reuters reported Wednesday, citing unnamed sources. The default led to a commercial liquidation process and bank creditor settlement that shareholders have criticized for lacking transparency. Bondholders are collectively owed around \$2 billion, according to attorneys representing them.

Constantine, the head of TNC's Eastern Caribbean program, told the AP. Barbados' economy depends on tourism, but it has struggled with overfishing, pollution and rampant coastal construction, officials said. The TNC said the debt conversion deal is only the third of its kind in the world, following similar projects in the Seychelles and Belize.

BUSINESS NEWS

Mexico's CFE Sues Two Former Execs Over Gas Supply Deal

Mexico's state-run power utility Comisión Federal de Electricidad, or CFE, on Wednesday filed a breach of contract lawsuit in a Texas state court against two former executives, Reuters reported. The company alleges that Guillermo Turrent and Javier Gutiérrez, two former top executives of its U.S. arm, CFE International, improperly awarded a lucrative gas supply deal. The suit alleges the two misled CFE's board by failing to disclose prior business dealings with executives at energy infrastructure company WhiteWater Midstream. The lawsuit seeks at least \$1 million in damages and claims the executives signed a deal with WhiteWater that puts CFE at a disadvantage, obliging it to pay "enormous sums for unneeded and overpriced natural gas and unnecessary pipeline costs," according to Reuters. WhiteWater is an Austin, Tex.-based company that currently manages \$3 billion in natural gas transmission assets originating in the Permian Basin. In a statement, the company accused CFE of leading an "ongoing intimidation campaign," Reuters reported. "CFE's meritless claims regarding WhiteWater follow explicit threats made by CFE officials to renegotiate the terms of legitimate, market-based contracts," the statement added. Mexican President Andrés Manuel López Obrador has sought to make his country energy independent by boosting state oil company Pemex and other national enterprises. However, production at Pemex continues to struggle and the country must import fuel to meet demand.

FEATURED Q&A / Continued from page 1

In short, the HLED may finally be realizing its highest potential, helping the United States and Mexico to advance a truly strategic economic and trade agenda. That at least is the headline takeaway from Mexico City last week, and the Biden administration leaders who are pushing the agenda deserve a lot of credit for their efforts to bring Mexico along despite numerous ongoing challenges. But will Mexico rise to the moment and meet the ambition of its North American partners? The jury is still out. Mexico clearly can provide what the Inter-American Development Bank describes as the 'labor-intensive, back-end' link of the semiconductor global value chain. But it will need to do far more than provide some economic incentives to would-be investors. Mexico must show that it can provide a predictable, fair and transparent business climate. It must get its security situation under control, giving confidence that such expensive and valuable commodities can be safely transported in the country. And it must support access to renewable energy for global manufacturers who are under enormous investor pressure to utilize clean energy resources throughout their supply chain. Mexico confronts a once-in-a-lifetime opportunity to compete in the major leagues. I'm hoping the country is ready to play ball."

A Evren Çelik Wiltse, associate professor and program lead for political science at the School of American & Global Studies

at South Dakota State University: "The Covid-19 pandemic, disruption of global supply chains, Russia-Ukraine war and the dual crisis of global food and energy once again exposed the myth of self-sufficiency. It became clear that those with a large and diverse economic footprint have better chances to weather these storms. The complementary nature of the U.S. and Mexican economies provides immense opportunities for both. Economic growth and development in Mexico from hi-tech

industries to agriculture progressively reduces the vulnerability of North America in times of turmoil. The Gulf of Mexico is in the process of transforming itself to be the new renewable energy hub. With alternative energy sources, it is still more cost effective to utilize existing energy infrastructure and grids in the gulf than start from scratch

“The complementary nature of the U.S. and Mexican economies provides immense opportunities for both.”

— Evren Çelik Wiltse

elsewhere. Today, top performing economies in the world want access to greater markets with as few barriers as possible. The European Union enjoys economies of scale that come with its 27 member nations and more than 500 million people. Germany could not have been the manufacturing giant that it is without factories in Poland and Eastern Europe. China is spearheading Shanghai Cooperation Council (SCO) with more than a dozen nations in Asia, including Russia. Despite fierce competition, the United States and Mexico have significant advantages over these regions. Security concerns of NAFTA/USMCA arise not from wars with neighbors, but rather from non-state actors. However, the European Union is facing a massive war at its borders, and members of SCO had military confrontations with each other even during the SCO Summit. There is no better time than now to enjoy the peace dividend in North America and intensify U.S.- Mexico collaboration."

A Amy Glover, president and founding partner of Agil(e):

"The HLED is an important government-to-government mechanism and the focus on strengthening North American supply chains is the

Continued on page 4

FEATURED Q&A / Continued from page 3

right one. That said, the widely disparate visions of what is required for an energy transition have placed ominous dark clouds over the bilateral relationship. Thankfully, the U.S.-Mexico economic relationship is simply too vital to be put in undue jeopardy, particularly from a Mexican standpoint. In fact, to date the only political force able to make President Andrés Manuel López Obrador think twice and even back down on occasion—without admitting it, of course—has been the U.S. government. The nationalistic and protectionist policies that

“**The U.S.-Mexico economic relationship is simply too vital to be put in undue jeopardy...**

— Amy Glover

favor the state-owned companies CFE and Pemex frustrate the move toward a greater reliance on clean energy. They are concerning from both a regional competitiveness and a climate perspective. The U.S. government does not want a political row, but the decision—together with Canada—to request dispute settlement consultations over violations to Mexico's USMCA commitments is serious. The U.S. and Canadian chambers of commerce in Mexico have wisely called for the three governments to discuss their differences ahead of formal consultations that would begin next year. While it is hard to see a clear path to resolution, the political temptation for AMLO to thumb his nose at the gringos will likely be outweighed by the economic and investment pressures that can be brought to bear in the run up to the 2024 presidential election. If AMLO expects to ensure a win for his party, he will need to avoid more dour economic news. Disgruntlement over inflation and slow economic growth is

on the rise. An economy that will crawl along at around 1 percent GDP growth this year and next is simply not much to brag about.”

A **Tapen Sinha, professor of risk management at the Instituto Tecnológico Autónomo de México and professor at the University of Nottingham Business School:**

“According to the White House, the HLED continues to focus on four central pillars: 1.) Building Back Together; 2.) Promoting Sustainable Economic and Social Development in Southern Mexico and Central America; 3.) Securing the Tools for Future Prosperity; and 4.) Investing in Our People. The Biden administration has secured a \$1.5 billion commitment from the Mexican government to strengthen border security. This development stands in contrast with what the previous U.S. administration managed to do. The second goal has not shown many results. The tide of Central Americans coming through Mexico to reach the United States has not shown any sign of slowing down. Conditions in El Salvador or Guatemala for potential recruits for drug cartels have not improved. In July, the United States escalated a trade dispute under the USMCA by announcing that it would initiate a ‘consultation’ process about Mexican energy policy that was seen to be violating the USMCA. This action typically leads to tariffs on other products. Canada immediately sided with the United States. Probably the best thing that came out of the HLED was an easing of the U.S. rhetoric in the past week. Both sides are talking with each other again. It will be followed up by a visit to the United States by Mexican Foreign Secretary Marcelo Ebrard. The two countries could avoid a major trade war escalation in North America.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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