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FEATURED Q&A

Will Mexico's Stock Market Reform Spur Investment?



Mexico's stock market regulator approved a stock market reform earlier this month. The country's stock exchange center is pictured. // File Photo: Wotancito via Creative Commons.

Q The board of Mexican bank regulator CNBV on Sept. 7 approved the terms of a stock market reform championed by Deputy Finance Minister Gabriel Yorio, which lawmakers passed last year. The overhaul seeks to support trading in light of delistings in recent years and will also make as much as 70 billion pesos a year available to small to medium-sized businesses. What are the most important terms of the reform, and what impact could it have on local and foreign investment? How does it address the spate of delistings within the stock market? How will it help small and medium-sized businesses obtain financing?

A Alma Caballero, managing director at McLarty Associates: "The stock market reform introduces several significant changes aimed at making the market more accessible and attractive, including the incorporation of simplified issuers, a streamlined registration process designed to facilitate easier listing for SMEs while increasing their access to capital markets. In addition, the reform implements new ESG standards, introduces a framework that allows hedge funds to adopt flexible investment strategies and includes provisions aimed at simplifying fundraising processes. Despite being the second-largest stock exchange in Latin America, Mexico's stock exchange faces challenges in terms of liquidity and daily trading volume when compared to major and more mature global exchanges. Several companies that have delisted have done so for a variety of economic, regulatory and market-specific reasons including low liquidity, high compliance costs and the availability of better financing options through private markets,

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Guatemala to Send 150 Police Officers to Haiti

Guatemala will send 150 police officers to Haiti to support the U.N.-backed mission to help the Caribbean nation fight gangs, Guatemalan President Bernardo Arévalo announced Tuesday.

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BUSINESS

Venezuela's Maduro Meets With Repsol Executives

Venezuelan President Nicolás Maduro met Tuesday in Caracas with executives of Spanish oil major Repsol to discuss new ventures.

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POLITICAL

Argentina's Milei Accuses U.N. of 'Socialist' Agenda

During his speech Tuesday to the United Nations General Assembly, Argentine President Javier Milei accused the international organization of imposing a "socialist" agenda on its members.

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Milei // Photo: United Nations.

POLITICAL NEWS

Milei Accuses U.N. of Imposing ‘Socialist’ Agenda on Members

In his first address to the United Nations General Assembly, Argentine President Javier Milei accused the organization of imposing a “socialist” agenda on its members and instead called on countries to sign up for a “freedom agenda,” the Financial Times reported. In his speech, the libertarian president focused on the 42-page “Pact for the Future” that the United Nations Adopted on Sunday, just before the General Assembly’s high-level debate began on Monday in New York. The pact includes measures that address gender equality, seek action on climate change and propose to regulate artificial intelligence. “Argentina will not back any policy that implies the restriction of individual freedoms or trade, nor the violation of the natural rights of individuals,” Milei told the General Assembly, the Financial Times reported. “We invite all nations of the free world to join us, not only in opposing this pact, but in the creation of a new agenda for this noble institution: the freedom agenda,” he added. Milei also called the United Nations’ 2030 sustainable development agenda “a supranational program of a socialist nature” and accused it of turning into a “multi-tentacled Leviathan that seeks to decide what each nation state should do and how the citizens of the world should live.” Other Latin American leaders who addressed the U.N. General Assembly on Tuesday included Brazilian President Luiz Inácio Lula da Silva, who called on countries to do more to fight global warming. “The Amazon is going through the worst drought in 45 years. Forest fires spreading across the country have already devoured five million hectares in August alone,” Lula told the General Assembly, the Associated Press reported. “My government does not outsource responsibility nor abdicate its sovereignty. We have already done a lot, but we know that much more needs to be done,” he added. Lula has faced criticism over his stewardship of the environment. The country’s enforcement of environmental laws

has been hindered by a six-month strike at Ibama, the country’s environmental regulator. The strike ended in August, three months after Brazil’s government became aware of an escalated risk of fires amid a severe drought, the AP reported. Lula has also faced criticism from environmentalists and Indigenous groups over state oil company Petrobras’ plans to explore for oil near the mouth of the Amazon River and over his vow to pave a road in the Amazon that critics say will worsen deforestation.

Guatemala to Send 150 Military Officers to Haiti: President

Guatemala will send 150 military police officers to Haiti to assist the ongoing U.N.-organized peacekeeping mission against criminal gangs, President Bernardo Arévalo announced on Tuesday during remarks to a session of the Special Advisory Group on Haiti of the U.N. Economic and Social Council. Arévalo did not disclose a timetable for when the military police will be deployed, the Associated Press reported. Haiti’s beleaguered security forces are currently being assisted by around 400 foreign personnel in the country, the vast majority of whom are Kenyan, in addition to relatively small contingents from Belize and Jamaica. Kenyan President William Ruto recently confirmed that his country’s commitment to the Haiti mission will soon increase by an additional 600 military personnel, Reuters reported on Saturday. Criminal organizations currently hold control over half of the territory of Haiti’s capital city of Port-au-Prince, according to the most recent available U.N. estimates. “Haiti desperately needs a ray of hope ... warning of failure of the Haitian state isn’t enough anymore—it’s already happened,” Fulton Armstrong, senior fellow at American University’s Center for Latin American & Latino Studies and former U.S. National Intelligence Officer for Latin America, told the Advisor in a [Q&A](#) published on July 15. A total of 2,500 foreign military personnel are now expected to participate in the U.N. operation, the Associated Press reported Tuesday, with Guatemala now joining Bangladesh, Barbados,

NEWS BRIEFS

Hurricane John Kills at Least Three in Mexico

At least three people were killed as Hurricane John battered southern Mexico, causing severe damage, Reuters reported Tuesday. After making landfall on Monday night, the hurricane battered Oaxaca and Guerrero with severe flooding on Tuesday, causing landslides, uprooting trees and ripping out electrical posts and roofs. CFE, the state energy company, said John left nearly 99,000 users without electricity. However, Guerrero’s governor Evelyn Salgado said via her social media that the affected areas were “showing positive progress and recovering basic services, communications and electric power.”

Uruguay’s Leading Presidential Candidate Would Seek Surplus

Yamandú Orsi, who is leading polls ahead of Uruguay’s presidential election in October, if elected would seek a primary fiscal surplus by the end of his term, economist Gabriel Oddone, Orsi’s selection for finance minister, told Bloomberg News. Oddone told the news service that Orsi would maintain the country’s target inflation range at 3-6 percent.

EIG Global Energy Partners to Ship Crude From Brazil for Repsol

EIG Global Energy Partners will ship crude overseas from its port facilities in southern Brazil for Spanish oil major, Repsol, Bloomberg News reported on Tuesday. Repsol will use Porto de Açu for the transshipment operations, according to Victor Bomfim, who manages Vast Infraestrutura, the EIG-controlled terminal operator in Rio de Janeiro state. Bomfim expects exports from Brazil to increase to 3 million barrels a day by 2030, or almost twice the current daily levels.

Benin and Chad in the group of nations that have pledged to send forces to Haiti in the near future.

U.S. Targets Mexican, Colombian Cartels With New Sanctions

The U.S. Treasury Department on Tuesday announced it was sanctioning two Mexican businesses—an ice cream chain and a local pharmacy—in connection with money laundering and the trafficking of fentanyl by the Sinaloa drug cartel, the Associated Press reported. At the same time, the Treasury Department also imposed sanctions on five alleged leaders of Colombia's Clan del Golfo drug trafficking organization, Reuters reported. According to the Treasury's Office of Foreign Assets Control, money launderers have previously used ice cream shops and local pharmacies in the Mexican state of Sinaloa for money laundering, the AP reported. Acting Director of the Office of Foreign Assets Control Lisa Palluconi will also be traveling to Mexico and Colombia this week to further bilateral efforts to fight money laundering, drug trafficking and the smuggling of fentanyl, Reuters reported. "Today's action is part of a whole-government effort to counter the global threat posed by the trafficking of illicit drugs into the United States that is causing the deaths of tens of thousands of Americans annually, as well as countless more non-fatal overdoses," the Treasury Department said in a statement, the Associated Press reported.

BUSINESS NEWS

Venezuela's Maduro Meets With Repsol Executives

Venezuelan President Nicolás Maduro met with executives from Spanish energy major Repsol on Tuesday to discuss new ventures, Europa Press reported. There are "extraor-

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debt markets or alternative funding sources. Mexico's stock market is heavily influenced by both domestic and external factors, especially U.S. economic conditions. While the reform is a welcome development, Mexico still faces volatility stemming from internal political and economic challenges. As President-elect Claudia Sheinbaum prepares to take office on Oct. 1, she faces two immediate priorities: approving the 2025 budget and drafting the secondary laws for the judicial reform. Maintaining fiscal discipline will be critical. Sheinbaum has committed to reducing the deficit to 3 percent by 2025, requiring significant spending cuts. To offset these cuts, increased private investment will be essential in sustaining Mexico's macroeconomic stability. The composition of Sheinbaum's team suggests a more pragmatic approach to economic policy and potentially a greater role for the private sector. This could help restore investor confidence and support long-term growth by encouraging private sector investment in key industries, especially as the government seeks to balance fiscal constraints with the need to drive economic development."

A Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City: "The stock market reform is an overhaul that is lesser known but is nonetheless very important. It is focused on small and medium-sized businesses, which constitute the backbone of employment in Mexico. Mexican authorities just approved the secondary regulation to the country's Securities Market Law. Its main objective is to improve companies' access to financing

dinary prospects for development" between Venezuela and Repsol, Maduro said Tuesday on a state-run television program. Repsol did not respond to comment requests from Europa Press. Repsol currently controls a 40 percent stake in a joint venture with PDVSA with upstream oil operations in the states of Monagas, Zulia and Trujillo, as well as a 50 percent stake

through the stock exchange. That small and medium-sized businesses have more sources of financing is always good news, as they tend to face difficulties since commercial banking prefers to lend to big companies that present lesser risks. Numbers speak for

“ Let us hope that more of these initiatives are to come.”

— Nicolás Mariscal

themselves when it comes to the importance of small and medium-sized businesses. According to INEGI, in 2021 there were around 280,000 businesses with six or more employed people. Of these, 6.9 percent were medium and 35.3 percent small (52.8 percent were micro businesses). Boosting their financing should have positive effects on our economy. In times of worldwide uncertainty, these reforms are welcomed. They show a hands-on approach to public policy. Let us hope that more of these initiatives are to come."

A Ruben Olmos, chief executive officer of Global Nexus LLC: "The Security Markets Law that Congress approved late last year loosens regulations, including simplifying the listings process and elevated costs in order for more companies to go public amid years of delistings. Currently just 138 local and foreign issuers are listed on the Bolsa Mexicana de Valores (BMV), and the smaller Bolsa Institucional de Valores (BIVA) has

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in a natural gas venture split evenly with Eni. In May, Repsol received a license from the U.S. Treasury Department's Office of Foreign Assets Control to circumvent the existing sanctions regime and continue operations in Venezuela. Repsol's joint venture with PDVSA accounts for around 20,000 barrels per day in crude oil production, Bloomberg News reported in May.

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not been able to pick up new companies in recent years. Under the new law, registration will no longer be governed by the Comisión Nacional Bancaria y de Valores (CNBV), but rather by the BMV and BIVA. The new regulatory framework strengthens financial inclusion and financing of about \$3.5 billion for small and medium-sized companies that tend to struggle to get bank financing. The reform comes at a good time given the nearshoring phenomenon—now smaller companies will have a better level playing field and will be able to fund projects and be more competitive.”

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

“The main aspect of Mexico’s stock market reform is to promote the incorporation of small and medium-sized enterprises (SMEs) in the Mexican stock market. A less costly, more simplified and speedier process for stock market listing is made available for SMEs to encourage their participation in this potential new financing avenue. Brokers will execute the listings, and only qualified institutional investors can acquire shares. The growth and even survival of SMEs in Mexico has been hampered by costly, insufficient or nonexistent access to credit. For example, bank loans to SMEs as a percentage of total loans in the Mexican banking system reached a high of only 14 percent in 2016 and has declined to less than 10 percent in

recent years. Will new financing surface for at least the 100 or so SMEs that have been deemed eligible for listing in the stock market? Will the higher risk of investing in SMEs, necessarily accompanied by potentially higher returns, lure investors to acquire their capital and debt offerings? A key vehicle that the stock market reform has implemented is the hedge fund. As in the United States,

“**The growth and even survival of SMEs in Mexico has been hampered by costly, insufficient or nonexistent access to credit.**”

— Lucinda Vargas

a hedge fund is designed to aggressively pursue and hold pools of high risk-high return assets (SME shares, in this case) to offer risk-prone investors. However, risk aversion may instead prevail for these hedge funds to take hold. Mexico’s investment climate has turned uncertain as a result of a possible politicized judicial system thanks to the country’s new judicial reform. Certainty in the rules of the game is what investors of any kind most seek.”

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

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