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FEATURED Q&A

How Likely Is U.S. Military Action in Mexico?

Mexican President Claudia Sheinbaum said last month that her party is proposing a constitutional amendment to deter foreign interference. // File Photo: Mexican Government.

Q Mexican President Claudia Sheinbaum said on Feb. 20 that her party is proposing a constitutional amendment to deter acts from abroad including coups, as well as foreign interference in elections and prosecutions. Her announcement followed the U.S. State Department's designation of organized crime groups, including six Mexican cartels, as terrorist groups. How likely is a U.S. military intervention on Mexican soil? What would the Mexican constitutional amendment practically mean, including for the country's military and the power it wields? In what direction is security cooperation between the United States and Mexico headed?

A Roberta Lajous, former Mexican ambassador to Cuba, Bolivia and Spain: "Security cooperation between Mexico and the U.S. reached an unprecedented high with the Feb. 27 expulsion of 29 Mexican drug lords, including the notorious Rafael Caro Quintero. This significant departure from the previous administration's 'hugs, not bullets' policy represents a substantial shift, fulfilling longstanding U.S. demands. President Claudia Sheinbaum deserves recognition for her decisive action in extraditing these criminals. However, her government needs to take further steps to reclaim significant portions of Mexican territory controlled by organized crime. This requires collaboration from the United States, ideally through a trilateral security cooperation treaty that also involves Canada. North American economic integration necessitates clear rules and concerted action on shared challenges. While proximity to the world's largest market offers great advantages for Canada and Mexico, this benefit is threatened by the flow

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TODAY'S NEWS

ECONOMIC

Ontario Slaps 25% Surcharge on Electricity Exports to U.S.

The Canadian province of Ontario imposed a 25 percent surcharge on electricity exports to the United States. The move followed U.S. President Donald Trump's threats to impose new tariffs on nearly all U.S. imports from Canada.

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POLITICAL

Hondurans Choose Candidates for Presidential Vote

Honduras' defense minister, a former vice president and a former mayor of Tegucigalpa emerged as top presidential candidates in the country's primary elections.

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POLITICAL

Ramdin Elected Secretary-General of OAS

Suriname's foreign minister, Albert Ramdin, was elected Monday as secretary-general of the Organization of American States.

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Ramdin // File Photo: Peruvian Government.

POLITICAL NEWS

Suriname's Ramdin Elected Secretary-General of OAS

Surinamese Foreign Minister Albert Ramdin was elected as the next secretary-general of the Organization of American States (OAS) on Monday, becoming the first representative of the Caricom group of nations to lead the Western Hemispheric multilateral institution. Ramdin will begin a five-year term on May 25—the exact date of Suriname's next general election—the OAS announced following the vote on Monday. Ramdin will take over from the current OAS secretary-general, Uruguay's Luis Almagro,

Ramdin is to be sworn in as OAS secretary-general on May 25.

who served two terms beginning in 2015. The vote to approve Ramdin was unanimous; the only other major candidate, Paraguayan Foreign Minister Rubén Ramírez Lezcano, withdrew his candidacy for the secretary-generalship last week. Ramírez Lezcano failed to garner support from member states partially due to his perceived close alignment with the administration of U.S. President Donald Trump, newspaper Valor Econômico reported. Ramdin has been Suriname's foreign minister since 2020; he previously served as assistant OAS secretary-general from 2005 to 2015, Reuters reported. Ramdin is an ally of Surinamese President Chan Santokhi, whose government has advocated for further international action to stop gang violence in Haiti, as well as limiting U.S. sanctions against Venezuela, according to the wire service. Suriname's government supports Guyana's claim in their ongoing territorial dispute with Venezuela regarding the Essequibo region, Reuters reported. Venezuela, Cuba and Nicaragua did not participate in Monday's election for OAS secretary-general.

ECONOMIC NEWS

Ontario Slaps 25% Surcharge on Power Exports to U.S.

The Canadian province of Ontario on Monday implemented a 25 percent increase in the price of electricity that it exports to the United States, The Wall Street Journal reported. The provincial government made the decision to place a surcharge on electricity exports in response to U.S. President Donald Trump's move last week to slap 25 percent tariffs on most Canadian trade goods. Last Thursday, Trump paused the new U.S. tariffs for one month, but Ontario Premier Doug Ford said Monday that he still sees reason for concern. "Until these tariffs are off the table ... Ontario will not relent," Ford said Monday at a news conference in Toronto, the Associated Press reported. Canada's government still has in place a 25 percent tariff on around $20 billion of imported goods from the United States, The Wall Street Journal reported. Canada opted to hold off on placing a tariff on an additional $90 billion of U.S. goods after the Trump administration announced the one-month pause. Officials estimate Ontario's new electricity surcharge will generate around $100 million in additional revenue per year, assuming Ontario continues to export similar levels of power to the United States, the newspaper reported. Around 1.5 million utility customers in New York, Michigan and Minnesota are expected to be affected by the rate hike, the Associated Press reported.

Brazil Regulations Hindering Equity Capital: Report

New regulations in Brazil are taking a toll on equity capital levels of banks in the South American country, Bloomberg News reported Monday. The regulations come at a time that Brazilian banks are already facing higher interest rates and potentially higher levels of delin-

NEWS BRIEFS

Hondurans Choose Candidates for Presidential Election

Honduran electoral authorities on Monday announced the results of Sunday's primary elections, in which the country's three leading parties selected candidates for November's general election. President Xiaomara Castro's leftist LIBRE party voters chose Defense Minister Rixi Moncada as its candidate; Castro's former vice president, Salvador Nasralla, won the centrist Liberal party's nomination, and former Tegucigalpa Mayor Nasry Asfura won the right-wing National party's primary, the Associated Press reported.

Judge Orders Guatemalan Journalist Zamora Back to Prison

Guatemalan journalist José Rubén Zamora on Monday was ordered to return to prison after a judge invalidated his house arrest order, the Associated Press reported. Zamora, founder of El Periódico newspaper, has been in various forms of detention since July 2022 on money laundering charges; he was last granted house arrest in October. Multiple independent human rights groups have characterized legal proceedings against Zamora, who denies wrongdoing, as unlawful retribution for his newspaper's coverage of former and current Guatemalan political figures, the AP reported.

Brazil's Caixa Seguridade Files for Share Offering

Brazil's Caixa Seguridade announced Sunday that it has filed for a follow-on share offering, Reuters reported. The state-run company said the offering will involve a secondary sale of stock that the firm's controlling entity, Caixa Econômica Federal, currently owns. The offering is scheduled to be priced on March 19.

quencies in loan repayments, the news service reported. The Brazilian regulatory measures, which seek to apply global standards to banks in the South American country, are encouraging banks to quickly use their record tax asset levels, which collectively amount to approximately 370 billion reais ($64 billion), Bloomberg News reported. The tax assets result from tax overpayments. "Those regulatory changes will demand considerable efforts from banks in a difficult year, with inflationary pressures mounting and rising interest rates bringing volatility, worries and higher delinquency rates," Guilherme Machado, an analyst at S&P Global Ratings, told Bloomberg News in an interview. "Lenders will perhaps distribute fewer dividends, or expand their loan books more slowly," he added. Banks in Brazil have long overpaid their taxes because expenses related to provisions for bad loans have traditionally not been considered for tax purposes, even if they did lower profits, Bloomberg News reported. Under new Basel III global regulations, tax assets must be deducted from the equity of banks, the news service reported. Rather than applying the changes at once, Brazilian regulators have allowed banks 10 years in order to use their tax credits. Regulators in Brazil have also barred banks from creating new tax assets by establishing that expenses related for loan provisions must be figured into tax calculations whenever they affect banks' profits, Bloomberg News reported. Brazil's Banco Bradesco has the country's highest level of tax assets, at 110.9 billion reais, while Itaú Unibanco has 72 billion reais of tax assets, the news service reported. The accumulated tax assets of the five largest banks in Brazil grew 12 percent over the past 12 months, according to data that Bloomberg News compiled. In January, Brazil's central bank hiked its benchmark Selic interest rate by 100 basis points, and it is expected to increase the key rate by the same amount on March 19, Reuters reported. The rate currently stands at 13.25 percent, and another full-point rate hike would bring the Selic to its highest level in more than eight years. [Editor's note: See **Q&A** on Brazil's banking sector in the Nov. 6 issue of the biweekly Financial Services Advisor.]

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of illicit drugs to satisfy growing demand. A successful strategy to fight drugs, and therefore organized crime, requires attention to both supply and demand. U.S. Secretary of Defense Pete Hegseth has signaled that all options are on the table to halt the flow of fentanyl across the border. President Sheinbaum's proposed constitutional amendments serve as a crucial message that Mexico rejects unilateral U.S. military actions within its territory. Such actions would severely damage trust between the two governments. New administrations in all three North American countries could mark a pivotal moment for a fresh start in regional cooperation if the imposition of tariffs does not get in the way."

Amanda Mattingly, former U.S. diplomat and founder of ACM Global Intelligence: "A full-scale U.S. military intervention of Mexico would be a devastating blow to Mexico, U.S.-Mexican relations, and the U.S. relationship with the whole of Latin America. It seems largely implausible. Yes, Mexico is definitely in President Trump's crosshairs —the 25 percent tariffs obviously have made that clear—but it is more likely and would be much more productive in the long run for the United States to work with the Mexican government to target the organized crime groups that now operate on both sides of the border, trafficking in drugs, weapons and people. And really, this is already happening. President Sheinbaum has increased Mexican law enforcement at the border with National Guard troops, seized almost as much fentanyl in the last five months than the previous year and has made hundreds of arrests in Sinaloa and other Mexican states where the cartels operate. Further, the Mexican Senate approved joint operations with the U.S. Army's 7th Special Forces unit. This may have happened even without Trump's threats, as Sheinbaum came into office with a more aggressive approach to security measures than her predecessor, President Andrés Manuel López Obrador. But the economic pressure emanating from U.S. tariffs and the breakdown of USMCA economic integration in North America has brought greater economic urgency to what has been treated as a security situation. A constitutional amendment will not change these dynamics and will hardly stop the United States from using CIA drones to gather intelligence across the border or the U.S. military from carrying out targeted attacks on newly labeled foreign terrorist organizations with or without Mexican cooperation. Sheinbaum has a domestic audience to consider, however, and needs to demonstrate strength against Trump, even if the pragmatic realities on the ground mean that Mexico and the Mexican economy will be better off working with the U.S. government and Trump's stated desire 'to wage war on the cartels' than putting up a fight against the United States."

> **"Sheinbaum has a domestic audience to consider..."**
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> **— Amanda Mattingly**

Arturo Sarukhan, former Mexican ambassador to the United States: "Sovereignty cannot be bolstered by edict. In what was clearly a smoke-and-mirrors move, the constitutional amendments presented by the president to Congress to allegedly buttress Mexico's national sovereignty are no more than dog-whistle politics for ruling-party Morena's base. What it truly does undermine today is the brazen footprint of criminal organizations and the de facto Pax Narca that Sheinbaum's predecessor instituted during his six years in power via his so-called 'hugs, not bullets'—or what I would label as 'hugs for thugs'—mantra and his evisceration of security, law enforcement and intelligence

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sharing cooperation with the United States. While it's unlikely that the United States will intervene militarily in Mexico, it's not impossible; a 'shock and awe' unilateral use of force, potentially via a drone strike, should not be written off. While this would clearly entail a violation of international law and an act of war, putting the bilateral relationship in a tailspin dive, it would be naïve to assume that military action is off the table. What should Sheinbaum do? There are already signs that her government is quietly shelving López Obrador's failed security policies and tactically shifting priorities and counter-drug operations, and her extradition of 29 drug kingpins should give her government some breathing room in Washington. Sheinbaum needs to quickly restart and relaunch bilateral security cooperation, publicly and unequivocally stating that organized crime is a dire and present danger for the well-being and security of Mexicans and Americans alike, and that she will seek to work hand in hand with the United States to fight this common scourge, underscoring that transnational challenges need to be met with transnational solutions. A formal bilateral security agreement or treaty could become the conduit for enhanced cooperation and for nipping the threat of unilateral use of U.S. force in the bud."

Lila Abed, director of the Mexico Institute at the Wilson Center: "As a response to the State Department's designation of six Mexican cartels as foreign terrorist organizations (FTOs), President Sheinbaum proposed a constitutional amendment to reinforce Mexico's foreign policy principles of nonintervention and to protect the nation's sovereignty. It serves a signal to the Trump administration that Mexico stands ready to coordinate on joint security actions with its top trading partner but will not tolerate a U.S. unilateral military intervention without clear consent from the Mexican government. The amendment states that any Mexican national or foreigner involved in illicit arms trafficking will face severe penalties, doubling down on Mexico's top security priority with the United States. It establishes legal barriers to U.S. intervention on investigating and prosecuting cases under Mexico's jurisdiction without the express consent of the Mexican government, pushing back on the material support clause embedded in the FTO framework. Bilateral security cooperation has deteriorated in recent years, though Sheinbaum's security strategy presents new avenues for collaboration with U.S. counterparts. The White House claims that Mexico's government has an 'intolerable alliance' with drug trafficking organizations, posing a national security threat. If the United States believes that the Mexican government colludes with organized crime groups, it could prevent bilateral cooperation. Recent drone activity and the FTO designation could set the groundwork and provide a legal justification for a unilateral strike or a prolonged application of tariffs if the United States deems that its southern neighbor has failed to stem the flow of migrants, combat organized crime and reduce the entry of synthetic opioids, particularly fentanyl."

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> **— Lila Abed**

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

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