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## Latin America Advisor

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## FEATURED Q&amp;A

## What Does Panama Canal Traffic Say About Global Trade?



The Panama Canal saw a more than 14 percent increase in revenue for the 12-month period that ended in September. // File Photo: diego grandi vva Adobe Stock.

**Q** The Panama Canal Authority announced Oct. 8 that the waterway saw a 14.4 percent rise in revenue for its fiscal year that ended Sept. 30. The canal's revenue for the 12-month period was \$5.7 billion, the authority said, which is equal to 29 percent of Panama's gross domestic product this year, according to International Monetary Fund projections. What is driving the Panama Canal's increase in revenue? What does the increase say about global trade, and which industries are contributing most to the increased traffic through the canal? How are U.S. tariffs affecting Panama Canal transits?

**A** Ricaurte Vásquez, administrator of the Panama Canal: "The Panama Canal has seen a 14.4 percent increase in revenue as the result of three main factors. The first was the rise in daily transits, which increased from 27 crossings per day in 2024 to 33 in 2025, particularly in the container cargo and liquefied petroleum gas sectors. Second, the introduction of the Long-Term Slot Allocation program (LoTSA) has allowed the Panama Canal to offset losses that accrued in congestion premiums during the 2024 drought. Lastly, the Panama Canal has benefited from the import frontloading that has occurred as a result of the higher U.S. tariffs, which drove a strategy to increase trade before the new charges were introduced. However, this tactic is probably an immediate and temporary response to the tariffs and will likely change in the medium and long term. With these results, the Panama Canal remains financially solid and strategically prepared to take on the investments that are set to begin in 2026, aimed at strengthening the water capacity and the canal's competitiveness."

Continued on page 3

## TODAY'S NEWS

## BUSINESS

### Argentina to Ask U.S. Court to Overturn \$16.1 Bn Ruling on YPF

A court in New York starts proceedings today in Argentina's appeal of a ruling that forces it to give up control of state-run oil company YPF.

Page 3

## ECONOMIC

### Mexico's Central Bank, Regulator Release Payment Card Rules

Mexico's central bank and the country's main financial regulator released new rules applicable to payment network systems.

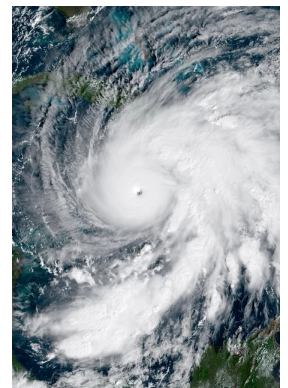
Page 2

## POLITICAL

### Hurricane Melissa Hits Cuba After Raking Jamaica

Hurricane Melissa, pictured Tuesday morning in a satellite image, made landfall early this morning in Cuba after pummeling Jamaica. Cuba's president said more than 735,000 people had been evacuated.

Page 2



Hurricane Melissa // Photo: NASA Worldview.

## POLITICAL NEWS

## Hurricane Makes Landfall in Cuba After Hitting Jamaica

Hurricane Melissa made landfall early this morning in Cuba as a Category 3 storm with wind speeds of 125 miles per hour, a day after striking Jamaica as a powerful Category 5 hurricane and devastating some parts of the country, The Washington Post reported. The hurricane made landfall in Cuba near the town of Chivirico, about 47 miles west of the city of Santiago de Cuba. The storm is expected to bring between 10 to 20 inches of rain to eastern Cuba today, with as much as 25 inches expected in some mountainous areas, the U.S. National Hurricane Center said this morning. "This will cause life-threatening and potentially catastrophic flash flooding with numerous landslides," the agency said. Melissa is expected to bring damaging winds, flooding rains and dangerous storm surge today to Cuba and the Bahamas, the National Hurricane Center added in an advisory this morning. As of 8 a.m. Eastern Time today, the hurricane was located about 45 miles northwest of Guantánamo, with maximum sustained winds of 105 miles per hour, and moving north-northeast at 14 miles per hour, the National Hurricane Center said. Hurricane warnings are in effect for Cuba's provinces of Granma, Santiago de Cuba, Guantánamo, Holguín and Las Tunas, and a tropical storm warning is in effect for Camagüey, The Washington Post reported. More than 735,000 people have been evacuated, President Miguel Díaz-Canel said late Tuesday in a post on social media site X. The government of the Bahamas has activated a disaster plan, which includes positioning supplies, as well as air and maritime assets for evacuation support, Prime Minister Philip Davis said Tuesday in a statement. The full extent of the damage in Jamaica, where Hurricane Melissa struck Tuesday morning, remained unclear this morning. However, video footage showed flooded roads and destroyed buildings, The Washington Post reported. Jamaican Prime

Minister Andrew Holness said in an interview Tuesday night on CNN that there had not been any reports of deaths after the hurricane made landfall, but he added, "We are expecting that there would be some loss of life." Three people were killed in Jamaica while preparing for the hurricane, the country's health minister said on Monday, The Washington Post reported. Three weather-related deaths were reported last week in Haiti, where more than 3,600 people were displaced and 450 homes were flooded, the newspaper reported. One weather-related death was reported in the Dominican Republic, the Associated Press reported. [Editor's note: See [Q&A](#) on hurricane preparedness in the region in the Sept. 9 issue of the Advisor.]

## ECONOMIC NEWS

## Mexico's Central Bank, Regulator Release Card Rules

Mexico's central bank and its main financial regulator on Monday released new rules applicable to payment network systems in an effort to promote card payments, El Economista reported. The proposed regulations, up for public comment, aim to improve payment conditions for consumers and businesses, the newspaper reported. The regulations seek to establish a more efficient and competitive environment for card payment systems by lowering operating costs and setting clear rules in order to foster network interoperability, said the regulator, the National Banking and Securities Commission (CNBV), El Economista reported. The measures call for Mexico's government to define operating rules among the country's payments networks that conform to standards set by the International Organization for Standardization, a Geneva-based nongovernmental organization, the newspaper reported. The central bank and CNBV are also working on the new regulations in order to lower costs associated with the acceptance of card payments, which has the potential to benefit small businesses, El Economista reported. Lower fees could

## NEWS BRIEFS

## At Least 64 Killed in Brazilian Authorities' Raid of Rio Favelas

At least 64 people—60 suspects and four police officers—were killed Tuesday after 2,500 police officers and soldiers launched a massive raid in two slum areas in Rio de Janeiro, the Associated Press reported. The operation targeting the Red Command drug-trafficking gang, which focused on the Alemão and Penha favela complexes, was among the deadliest raids in Brazil's history. The raid included helicopters and armored vehicles. Human rights groups have called for investigations of the deaths.

## Mexico's Pemex Earns More Than \$200 Mn From Hedging Crude Oil, Peso

Mexican state-run oil firm Pemex netted more than \$200 million in hedges against crude oil and the Mexican peso in September, Bloomberg News reported on Tuesday, citing the firm's third-quarter earnings report. Approximately \$150 million came from Pemex's positions against oil; Brent crude fell by 7 percent between the beginning and end of September. Still, Pemex posted an overall loss of \$3.3 billion in the third quarter, driven by slumping oil production, the firm announced on Monday.

## Chilean Central Bank Keeps Rates Unchanged

The board of directors of Chile's central bank voted Tuesday to hold the country's key interest rate at 4.75 percent, Bloomberg News reported. The country's inflation rate in September was 4.4 percent year-on-year, which is above the central bank's target of 3 percent, according to the news service. The five-person board voted unanimously. Inflation needs to come down closer to 3 percent before further rate cuts can occur, policymakers said in a statement, Bloomberg News reported.

encourage a greater number of businesses to offer customers the ability to pay with cards and lower dependence on cash, the newspaper reported. The proposal also seeks to foster the sustained growth of payment card usage in Mexico. The use of payment cards in Mexico is expected to grow with a compound annual growth rate of more than 13 percent through 2027, Spain-based bank Santander said in a report last year.

## BUSINESS NEWS

# Argentina to Ask U.S. Court to Overturn \$16.1 Bn YPF Ruling

A U.S. circuit court in New York begins proceedings today in the Argentine government's appeal of a ruling that forces it to give up control of state-run YPF, Reuters reported. In June, U.S. District Judge Loretta Preska upheld a 2023 ruling that ordered Argentina to pay \$16.1 billion to former minority shareholders of YPF, Argentina's state oil company and second-largest corporation. The firm was nationalized in 2012; Argentina's government paid \$5 billion to Spain's Repsol at the time, but did not make tender offers to two key minority partners, Petersen Energía Inversora and Eton Park Capital Management, plaintiffs argue. Preska ruled in June that Argentina's government would have to give up its controlling stake in YPF in order to pay the fee to Petersen and Eton Park, which is equal to approximately 45 percent of Argentina's federal budget for 2024, Reuters reported. The value of the Argentine government's 51 percent stake in YPF is approximately \$6.5 billion. If the appeals court in Manhattan rules in favor of keeping the \$16.1 billion judgment in place, Argentina's government is likely to appeal to the U.S. Supreme Court, according to Reuters. The U.S. Department of Justice has backed Argentina's government's position in the case during both the administrations of current President Donald Trump and former President Joe Biden, Bloomberg News reported.

## FEATURED Q&A / Continued from page 1

**A** **Joaquín Jácome Diez, senior partner at Jácome & Jácome in Panama City and former trade minister of Panama:** "During the 2025 fiscal year, there was an increase of 19.3 percent in canal transits to 13,404; 10,062 transits were from Panamax and 3,342 neo-Panamax vessels with a total transit tonnage for the year of 489.1 million. Container and LPG vessels were the main contributors to the 2025 bonanza, while bulk carriers and LNG vessels underperformed. Frontloading cargo and a special long-term reservation system by the canal also con-

Oct. 23 with the Panama Canal Authority's board of directors and advisors, in which these projects were discussed, highlighted the importance this administration is giving to the strategic development of the canal and the country."

**A** **Jean-Paul Rodrigue, professor in the Department of Maritime Business Administration at Texas A&M University at Galveston:**

"For the Panama Canal, 2025 marked a recovery from transit and tonnage setbacks, mainly due to the 2024 drought that forced the canal to limit the number of transits and its capacity. Still, the number of transits and the tonnage remain below the 2022 peak. As economies of scale were applied, the canal did not experience a growth in the number of transits in the last half-century. This has become apparent after the 2016 expansion when tonnage surged. What appears unnoticed is the substantial change in the toll structure. As of 2024, tolls accounted for 65 percent of the revenue, while transit services revenue accounted for 35 percent, up from 20 percent in 2020. This is particularly the result of a new toll structure that began to be implemented in 2022, suggesting that one of the key drivers of toll growth is improved yield management. While a breakdown of the revenue structure for 2025 is not yet available, it can be assumed that transit service revenues account for about 30 to 35 percent of the \$5.7 billion in revenue. The Panama Canal Authority reported that container volumes and liquefied petroleum gas were the key contributors to the recovery in its activities. The surge in trade tariffs applied this year by the U.S. government has obviously created uncertainty in the international trade structure, which may have implications for the number of transits and tonnage handled by the canal. About 76 percent of the tonnage handled by the canal concerns a U.S. origin or a destination, underlining the high impact that any macroeconomic change in the U.S. market can have on the canal. Still,

Continued on page 4

**“The canal is experiencing a crucial moment to maintain its competitiveness in world shipping...”**

— Joaquín Jácome Diez

tributed to this year's great financial results. The Panama Canal authority will transfer to the national coffers approximately \$2.8 billion. Many importers around the world frontloaded their inventory in order to avoid being hit by tariffs, which caused increased cargo to transit through the Panama Canal. Now that tariffs are in effect, 2026 will most likely see a reduction of tonnage transiting the canal, according to Ricaurte Vásquez, the Panama Canal administrator. The canal is experiencing a crucial moment to maintain its competitiveness in world shipping and to continue fostering logistic development in our country. In order to accomplish these goals, the Panama Canal Authority is planning to develop several key projects over the next 10 years. Among these are the Rio Indio reservoir (to secure adequate amounts of water for canal operation and consumption for the population), a gas pipeline and additional port terminals on both ends of the waterway. President Mulino's meeting on



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

if procurement strategies remain within East and Southeast Asia, they are less likely to affect canal activity than if they were to significantly shift toward South Asia or Latin America.”

**Alejandro Valerio, founder of Valerio Consulting Group:** “The Panama Canal’s 14.4 percent revenue increase reflects not just improved water management, but also its strategic repositioning amid shifting global trade patterns. Despite climate constraints, the Panama Canal Authority’s decision to raise tolls, optimize slot auctions and prioritize capacity has sustained strong profitability. Its \$5.7 billion in revenue underscores the canal’s fiscal outlier status. From January to May 2025, container traffic rose 10.2 percent year-over-year to more than 2,400 transits, led by a 30 percent jump in neo-Panamax vessels. Another major driver was U.S. Gulf Coast-to-Asia liquefied petroleum gas (LPG) shipments, up 7.8 percent month-over-month in January, following 1,757 transits (64.9 million tons) in FY 2024. During fiscal year 2025 (October 2024 to September 2025), the canal handled 13,404 vessel transits—a 19.3 percent increase year-on-year—with container and LPG segments identified by the Panama Canal Authority as key growth engines. According to the U.S. Energy Information Administration, U.S. propane exports averaged a record 1.8 million barrels per day in 2024, mostly to East Asia—evidence of a structural rise in energy trade that benefits Panama. In the canal’s first four months of fiscal 2025, vehicle-carrier transits rose 17.5 percent year-on-year, while LNG transits fell 66 percent, underscoring that revenue growth stems primarily from containerized, LPG and manufactured-goods flows. This momentum suggests that global trade, though fragmented, remains dynamic around energy and manufacturing value chains. Yet, renewed U.S.-China tariff tensions and Section 301

duties could curtail future revenues as nearshoring to Mexico and Central America reduces east-west traffic. Thus, sustaining profitability will require investing in water security, digital logistics and service diversification.”

**Daniel Castineyra, director at S&P Global Ratings:** “It is important to note that the increase in revenue and transits this year comes from an atypical low 2024 baseline, when the canal experienced draft restrictions due to worse hydrology conditions and transit declined around 20 percent as compared to 2023. Hence, most of this increase is related to a recovery rather than jump in global trade. The segments that experienced the highest increase were the containers segment and liquified petroleum gas (LPG). However, liquefied natural gas (LNG) is still lagging, given the high international shipping costs. In our view, extreme climate events, such as the increasingly unpredictable duration and severity of the El Niño phenomenon, will remain the main headwind for the Panama Canal’s operations. To address these challenges, the Panama Canal Authority’s ongoing long-term investments are designed to bolster key infrastructure, including a reservoir in Rio Indio, tunnels for water movement and support systems such as roads and camps. The planned construction of the Rio Indio reservoir is anticipated to increase vessel traffic by approximately 11 to 12 ships per day. As for the impact of U.S. tariffs to the canal, we view this more related to overall impact on the global economy, as almost 3 percent of global trade passes through the canal. In this context, we expect a steady transit increase for the canal in the next 12 to 24 months in line with our global GDP growth of around 2.5 to 3 percent.”

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

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