

Public Affairs Chatter

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Trump 47 Day One: Volatility Returns with Full Force

Following his inauguration as the 47th President, Donald Trump wasted no time in converting campaign promises into a flurry of sweeping executive orders, including some targeting immigration and border security. His actions reflect a determination to deliver on his combative rhetoric, underscored by measures to suspend the entry of individuals deemed part of an "invasion." The Department of Homeland Security (DHS) has been tasked with fortifying border defenses, ramping up deportations, and imposing stricter visa protocols, particularly on countries branded as high-risk.

For Mexico, the fallout is immediate. The revival of border wall expansion, increased personnel deployments, and policies like "Remain in Mexico" may create logistical and humanitarian nightmares, forcing asylum seekers into Mexico's already strained systems. President Sheinbaum's continued emphasis on sovereignty and regional cooperation is a stark contrast to Trump's aggressive posture, but it has been insufficient so far to quell the aggression of the new Oval Office occupant.

Further complicating matters, Trump's push to label Mexican cartels as foreign terrorist organizations (FTOs) opens the door to unilateral U.S. actions—potentially even military intervention. The President and his team minced no words, stating in an [Executive Order](#) that "in certain portions of Mexico, [cartels] function as quasi-governmental entities, controlling nearly all aspects of society". The FTO designation would add additional criminal liability for US persons providing material support or resources to the cartels, and make it easier for the group's assets to be seized by the US government or in private litigation by victims of cartel violence.

Arguably the main concern on the designation of Mexican cartels as FTOs lies outside direct support of narcotrafficking (for which penalties are already huge, and which mainstream businesses all avoid) but in non-narcotics sectors in which cartels are likely involved (e.g., extortion of ordinary businesses, tourism, and agriculture). Extortion payments to FTOs, even under duress, could be deemed in violation of the new US designation, increasing compliance costs and reputational risks to ensure this is being avoided. Companies will thus have to strengthen due diligence, ensuring they have no ties to FTOs in any sector, given penalties include asset seizures and criminal charges.

The designation of FTOs could also complicate some local banks' access to international banks and payments entities, which may deem them too risky to bother dealing with post FTO. It will be a lot easier to justify dealing with the Mexican arms of BBVA, HSBC, Santander, or a Banorte, than stand alone small Mexican banks potentially with less robust compliance culture and rules and that may unknowingly be dealing with FTOs outside narcotics, passing

on the risk to their correspondent banks. (Separately, The Treasury Department would have to cut off non-US financial institutions from US correspondent accounts for knowingly conducting significant transactions for groups sanctioned as Specially Designated Global Terrorist (SDGT)).

The potential imposition of 25% tariff on Mexican and Canadian goods is of course of greatest concern, although far from confirmed. If this becomes a reality, it would jeopardize the deeply interconnected North American supply chains, threatening Mexican industries like automotive and electronics while pushing higher costs onto consumers and producers alike. The mere mention that Trump was “thinking” of imposing tariffs caused an immediate spike in the FX markets, underscoring the very real implications of such measures. That said, many are assuming this is a Trump negotiating strategy and such tariffs will be avoided or short-lived. It makes little strategic sense to punish your neighbors, Mexico and Canada, and thus help your rivals in Asia.

The Sheinbaum administration faces a daunting task, where conciliatory language and symbolic gestures won’t be enough, but no obvious solutions are to be found. Mexico’s government has begun mobilizing for the anticipated wave of deportations, convening high-level meetings to mitigate the humanitarian and economic fallout. Still, questions loom about whether these preparations will be adequate amid fiscal limitations and mounting domestic pressures.

A Roadmap for Connectivity: Sheinbaum’s Infrastructure Vision

President Claudia Sheinbaum unveiled an ambitious road infrastructure plan to enhance regional connectivity and economic integration. This blueprint prioritizes the modernization of critical highways in economically strategic zones, such as the Bajío and the southeast. With over 1,000 kilometers of new or upgraded roads planned, the initiative seeks to bolster logistics, reduce transportation costs, and attract investment into underserved areas.

If successfully implemented, this infrastructure push could position Mexico as a more competitive player in nearshoring, and while President Sheinbaum emphasized partnerships with private sector stakeholders, skepticism lingers about the feasibility of such collaborations given the recent reforms, and what some perceive as mixed messages regarding the private sector.

CFE’s Altán Acquisition and 5G Auction Fallout

The Federal Telecommunications Institute (IFT) has approved with conditions the acquisition by the Federal Electricity Commission (CFE) of a 23% stake in Altán Redes, reflecting concerns about market concentration and fairness. By mandating operational independence and restricting information sharing, the IFT aims to prevent CFE from leveraging its energy dominance to distort competition in the telecommunications sector. While these safeguards are crucial, they underscore the ongoing challenges of balancing state involvement with

private sector dynamics in Mexico's telecom landscape. This move raises questions about whether industry players will face further obstacles in competing against entities with significant state backing, potentially limiting innovation and consumer choice in a market already grappling with issues of equity and access.

The recent cancellation of the 5G auction by the IFT highlights regulatory uncertainty in a sector crucial for economic growth. While the IFT attributes the decision to the lack of viable proposals from operators and manufacturers, it underscores more profound structural challenges in attracting technological investment, at least during the transition period while the recent constitutional reforms are implemented. This regulatory uncertainty, coupled with the high costs that some operators say jeopardize the financial viability of new investments, are significant roadblocks to advancing Mexico's telecommunications competitiveness. This is especially critical at a time when 5G could play a pivotal role in leveraging nearshoring opportunities and improving digital connectivity in underserved areas.

Canada and Mexico CEOs Align with Sheinbaum on Joint Investment Strategy for 2025

The recent CEO Dialogue between Canadian and Mexican business leaders resulted in a joint work plan focused on boosting trade, promoting investment in strategic sectors, and leveraging nearshoring opportunities. Key industries like automotive, renewable energy, and mining featured prominently in discussions, aligning with Mexico's push to increase its role in global value chains. For President Sheinbaum, while the dialogue was seen as a small victory amid the tensions with the US, challenges remain to translate these agreements into tangible results amid ongoing regulatory and infrastructure concerns, such as the ones discussed above.

Strengthening Alliances: Mexico and the EU Renew Economic Ties

Mexico's decision to renew its economic agreement with the European Union underscores the commitment (and some would say, the need) to strengthen and diversify trade relationships. The updated framework focuses on sustainable practices, digital trade, and technology transfer, positioning Mexico as a critical partner for Europe in reshoring supply chains. With 2025 marking the 25th anniversary of the original accord, this modernization aims to inject dynamism into sectors such as renewable energy, automotive manufacturing, and advanced electronics.

Yet, challenges remain. European stakeholders have raised concerns about Mexico's regulatory environment, urging transparency in project tenders and enforcement of anti-corruption measures. If addressed effectively, this partnership could open new avenues for growth, bolstering Mexico's standing as a bridge between North America and Europe.



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