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FEATURED Q&A

What's Behind the Delayed Project to Dredge the Paraná?

The Argentine government last month canceled a contract to widen the Paraná River, a key waterway for the country's agricultural trade. A vessel traveling on the Paraná is pictured near Zárate, Argentina. // File Photo: fernando via Adobe Stock.

Q Argentina's government on Feb. 12 canceled plans to grant a contract to a Belgian firm to widen the Paraná River, citing irregularities in the tender process. The Paraná, which transports around 80 percent of Argentina's export goods by value, has not been dredged since 2006; large cargo ships run aground in the river around once per month, Bloomberg News reported. How will the delay in the Paraná dredging project affect Argentina's economy in the long term? What does the saga suggest about Argentina's government's relationship with the private sector under President Javier Milei?

A **Nicolás Saldías, senior analyst at the Economist Intelligence Unit:** "The failure of the government's tender to give a private firm a 30-year concession to manage, update and expand the Paraná River, or the hidrovía, demonstrates that the Milei administration's ambitious privatization program will not be a straightforward affair. The hidrovía is a key logistics artery for Argentina, as it allows grain exports to go directly to global markets. The dredging of the waterway in the 1990s allowed for larger ships to enter, boosting Argentina's competitiveness and helped create the 'década ganada' (won decade). It also allowed for the opening up of Paraguay's economy to massive agricultural investments starting in the 2000s. After years of poor governance and a lack of investment, Argentina's agro-exporters have lost competitiveness to Brazil. The Milei administration opened up a tender for private firms to take over the hidrovía, which included dredging the waterway to 39 feet, from 36 feet currently—local producers want the dredging to be even deeper. The privatization is part of the government's

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TODAY'S NEWS

BUSINESS

Chinese Firm Sells Panama Canal Ports to BlackRock

A group of companies including U.S. asset manager BlackRock has agreed to purchase a Hong Kong-based company's stake in ports near the Panama Canal.

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ECONOMIC

Chevron Must Exit Venezuela Next Month: Trump

The administration of U.S. President Donald Trump on Tuesday updated guidance for Chevron's sanctions waiver license in Venezuela, giving the company until April 3 to leave the country.

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POLITICAL

Mexican Gov't Readies Response to U.S. Tariffs

Mexican President Claudia Sheinbaum said her government will finalize its response to U.S. tariffs this weekend. Canada's government launched their own retaliatory tariffs on U.S. goods on Tuesday.

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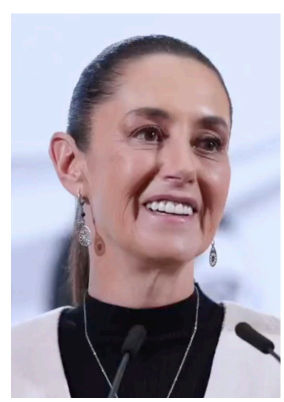

Sheinbaum // File Photo: @Claudiashein via X.

POLITICAL NEWS

Mexico to Impose Retaliatory Tariffs on Sunday: Sheinbaum

Mexican President Claudia Sheinbaum said Tuesday that her government will impose retaliatory tariffs against the United States on Sunday in response to U.S. President Donald Trump's 25 percent levy against all Mexican goods, the Associated Press reported. Sheinbaum's economic team will take until the end of the weekend to negotiate with the Trump administration and finalize the scope of Mexico's response to the most significant disruption to trade in the Western Hemisphere since the North American Free Trade Agreement went into effect in 1994. The United States government on Tuesday imposed 25 percent tariffs on all goods from Mexico and Canada, with a 10 percent exception for Canadian energy products, and raised new tariffs on China from 10 to 20 percent. Trump used an emergency declaration clause to bypass Congress and impose the levies under the executive branch's authority, according to a statement from the White House. That state of emergency could only be overridden by a veto-proof majority in both the House of Representatives and the Senate. The Canadian and Chinese governments each instituted their own tariffs on U.S. goods on Tuesday in response to the Trump administration's tariffs, Reuters reported. U.S. officials including Commerce Secretary Howard Lutnick are in negotiations with the Canadian government regarding a possible off-ramp for tariffs, but Trump himself remains committed to keeping the levies in place, according to reporting from The New York Times. The White House argues that Canada, Mexico and China all must do more to stop cartel activity and fentanyl trafficking in order for the tariffs to be lifted. "There is no motive or reason, nor justification that supports this decision that will affect our people and our nations," Sheinbaum said on Tuesday regarding the tariffs, the AP reported. Around 80 percent of Mexico's exports go to the United States, according to the AP.

ECONOMIC NEWS

Chevron Has One Month to Leave Venezuela: Trump

U.S. oil major Chevron has until April 3—just one month—to wind down its operations in Venezuela, according to guidance published on Tuesday by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC). Last week, the administration of U.S. President Trump announced it would revoke Chevron's authorization to operate three oil production ventures in Venezuela despite U.S. sanctions against the country's oil industry; Chevron's license, known as General License 41, would have expired at the beginning of August, Bloomberg News reported. The Trump administration on Tuesday moved that deadline forward by nearly four months, giving Chevron 30 days to end its partnerships in Venezuela with state-run PDVSA. Chevron and PDVSA's three operations accounted for more than 200,000 barrels of crude oil production per day at the end of 2024, equal to roughly 25 percent of national oil output, according to Reuters. "One can pinpoint the positive effect that General License 41 has had in the crude oil production of the joint ventures operated by Chevron," Luis A. Pacheco, nonresident fellow at the Baker Institute Center for Energy Studies, told the weekly Energy Advisor in a Q&A published Jan. 3. General License 41A, which OFAC published Tuesday morning, states that Chevron is not authorized to pay "any taxes or royalties to the Government of Venezuela" or PDVSA during the one-month wind-down period, even indirectly. Chevron filed taxes in Venezuela last year showing the company owed the government at

Chevron now must wind down its opertations in Venezuela before April 3.

NEWS BRIEFS

Nicaragua Formalizes Constitutional Changes Empowering Ortega

Nicaragua's government on Tuesday passed a law making it easier for President Daniel Ortega to remain in power, Infobae reported. The regulation, which was approved by the Nicaragua National Assembly, legitimizes the "copresident" position of Ortega's wife and former Vice President, Rosario Murillo. The new law also allows Ortega and Murillo to exercise presidential duties together and extends presidential terms from five to six years.

U.S. Car Prices to Rise Equal to New Tariff Rate: Auto Industry Lobby

The leading advocacy group for the U.S. automotive industry on Tuesday warned that new 25 percent U.S. tariffs on goods from Mexico and Canada will likely result in a corresponding 25 percent increase in vehicle prices for consumers in the United States, Reuters reported. A spokesperson for the Alliance for Automotive Innovation, which represents every major U.S. car manufacturer except Tesla, said in a statement that the tariffs' "negative impact on vehicle price and vehicle availability will be felt almost immediately," Reuters reported.

Chile's SQM Sees Fourth Quarter Profit Fall 41% Amid Slumping Lithium

Chilean miner SQM, the second largest-lithium producer in the world, saw its profit fall by 41 percent year-over-year in the fourth quarter of 2024, according to financial data released today. The company's lithium sales increased in the fourth quarter, but a sharp decline in lithium prices drove down earnings, Reuters reported. SQM operates the Atacama mine in northern Chile, one of two active large-scale lithium extraction projects in the country.

least $300 million, Bloomberg News reported. It's unclear whether Chevron actually paid those taxes; the company has said on multiple occasions that it follows all applicable laws and regulations in both the United States and Venezuela. Chevron's stock price fell by 1.4 percent on the Nasdaq index on Tuesday after the announcement.

BUSINESS NEWS

BlackRock Group Purchases Ports on Panama Canal

New York-based investment company BlackRock will buy two major ports on the Panama Canal from their Hong Kong-based owner, CK Hutchison. The companies reached the $22.8 billion agreement after President Donald Trump expressed concern over alleged Chinese influence in the area, the Financial Times reported. On Tuesday, CK Hutchison shared in a statement that it will sell the business to a consortium of companies including BlackRock, BlackRock-owned Global Infrastructure Partners and Switzerland-based Terminal Investment Limited. Per the agreement, the consortium group will acquire a 90 percent stake in the company that owns the ports in Panama and an 80 percent stake in its ports subsidiaries, which operate 43 ports located in 23 countries. "This agreement is a powerful illustration of BlackRock and GIP's combined platform and our ability to deliver differentiated investments for clients," BlackRock CEO Larry Fink said in the statement. Following Trump's electoral win last year and his repeated claims that "China is running the Panama Canal," CK Hutchinson considered the sale, the FT reported. "When President Trump won and he started making noise about annexing Canada and Greenland and Panama, the pressure was put on the Panamanians," one source familiar with the deal told the Financial Times. CK Hutchison "realized that it was a political headache and they wanted to do something," the source added.

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hands-off approach to capital investments. The tender was a failure, as only one firm, Belgian-based Dredging Environmental and Marine Engineering (DEME) presented a bid. DEME had argued that the design of the tender favored another firm. The government canceled the tender and is now investigating DEME, as it alleges it may have pressed other firms to drop their bids. This episode underscores that successful privatization will be based on well-designed tenders with maximum transparency."

A **Kezia McKeague, managing director at McLarty Associates:** "About 80 percent of Argentine grain—the country's top export—leaves the country on the Paraná, which also serves as a critical corridor for fertilizer and fuel trade, as well as manufactured goods from the port cities of Rosario and Santa Fe. However, Argentina has not dredged its stretch of the Paraná in nearly two decades, reducing export capacity for commodity producers from Argentina to upstream markets in Paraguay, Bolivia and Brazil that rely on the Paraná-Paraguay river system for daily commercial flows. Moreover, a lack of investment in river ports like Buenos Aires means that heavy cargo must transship in other Atlantic ports, impacting the competitiveness of Argentina's export economy. As a result, the Milei administration's tender for a 30-year license to manage the waterway included a welcomed dredging clause to deepen the channel by about a meter, to 11.9 meters within five years, with additional improvements potentially beyond. This is needed to compete against ports on the Brazilian seaboard, which can accommodate larger Panamax vessels, and to respond to recurring droughts that have caused barges to frequently run aground. In February, the Milei administration suspended the tender after receiving only one bid, from Belgian firm DEME. The delay exacerbates uncertainty for exporters, compounding other obstacles such as Argentina's continued export taxes. Alleged irregularities in the tender are also a reminder that the Milei administration, despite its unapologetic free-market philosophy and deregulatory agenda, is not immune to influential political interests. A new concession that is transparent and competitive would provide Argentine producers and exporters with greater long-term certainty—a valued commodity given the country's history of interventionist policy in the agricultural sector."

A **Martín Planes, manager, and Santiago Ott, senior analyst, both at Cefeidas Group:** "The Paraná dredging is a crucial project for economies in Argentina, Brazil, Uruguay, Paraguay and Bolivia. The hidrovía is a key export route, transporting soybeans, corn, wheat, and other goods to international markets via the Atlantic Ocean. Though long overdue, the cancellation of this project may not cause immediate disruption as currently, under very low maintenance, the Paraná continues to serve ships in accessing ports. However, the Rosario Stock Exchange warns that insufficient maintenance of navigable channels raises costs and weakens Argentina's agricultural export competitiveness, ultimately affecting long-term economic performance. Despite the stalled project, the Argentine government has taken steps to reduce costs, such as the recent reinstatement of a two-foot under-keel clearance, reversing a 2018 increase. Minister of Deregulation Federico Sturzenegger stated that this change is expected to reduce transportation costs by 7 percent. Regarding the Argentine government's relationship with the private sector, despite its pro-market Libertarian philosophy, the Milei administration has shown some room for pragmatism when it comes to 'ordering' the market if an irregularity is detected. Similar actions were taken when the government intervened with private health insurers, accusing them of colluding to raise premiums, or the recent sale of the telecommunications company Telefónica to

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Telecom that could create what the government calls an 'artificial monopoly' and will be subject to review. The bidding for the Paraná River dredging, along with these examples, suggests that the government's relationship with the private sector is more complex than a simple 'anything goes' approach."

A **Andrés Asiain, director of Centro de Estudios Scalabrini Ortiz in Buenos Aires:** "The Paraná River was once considered a life-giving goddess by the ancient Indigenous populations of the region. In contrast, in today's market capitalism, this vast region of rivers and wetlands is reduced to the concept of a waterway, where the focus is exclusively on its function as a navigable route for trade. The Paraná was the subject of historic international conflicts, such as the Battle of Vuelta de Obligado in 1845, in which Argentina bombarded the Anglo-French fleet. Today, it is a new scenario of geopolitical competition, where the U.S. managed to sneak in its participation through an agreement between its Army Corps of Engineers and the current Milei administration, which excluded China from the tender for its dredging under the excuse of not allowing the participation of state-owned companies such as the Chinese CCCC Shanghai Dredging. The recent collapse of the tender, wrapped in a scandalous fight between lobbies of the Milei administration and operators of the previous liberal administration of Mauricio Macri, delays the dredging of the river, but without compromising foreign trade. The shallower depth of the northern part favors transport by smaller barges that move containers to the ports of the province of Santa Fe, where larger shipments depart. This allows a greater percentage of the foreign trade business, monopolized by large multinational companies that handle deep-draft ships, to spill over into the economies of the region."

A **Nicolás Francisco Gutman, consultant for the economy of natural resources with Sym Consultorías in Bogotá:** "Whether on purpose or by a calendar irony, the tender process to widen the Paraná was announced last year on Nov. 20: the National Day of Sovereignty in Argentina, on which day in 1845 the Argentine army fought with an Anglo-French fleet of warships who wanted access to the River Plate and the Paraná river basin; while bolstering one of the biggest hot spots of smuggling and trafficking zones in the continent on the east shore of the River Plate. Since then, many things have changed, but not smuggling and trafficking. The United Nations' Office on Drugs and Crimes has pointed to the port of Montevideo—where most exporters from Argentina, and many from Bolivia, Paraguay and Brazil use for the lack of river dredging to a port on the Argentine shore—as a hot spot of transnational crime, supporting illegal fishing fleets and smuggling of soybean, timber, minerals and other commodities, which is reinforced by the very loose financial secrecy and legislation of Uruguay. The only company which finally made a bid for the Paraná, the Belgian firm Dredging, Environmental & Marine Engineering, went to court accusing another Belgian firm, Jan De Nul, which has been in charge since 1995, of maneuvering the process against its favor. The Office of the Attorney General for Administrative Investigations also pointed to many flaws in the bidding process. It's important to note that while competing corporations accuse each other and the government, so far, there has been no environmental impact assessments conducted, as required for an intervention to one of the largest river basins in the world, and where most of the population of Argentina lives and takes their water from. This has made the process highly unpopular."

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Gene Kuleta
Editor

Jack Quinn
Reporter

Lori Rampani
Reporter

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1155 15th Street NW, Suite 800
Washington, DC 20005
www.thedialogue.org

