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Bloomberg

US Finance Ban Takes Effect After Already Crippling Mexico Firms

An unprecedented order by the US Treasury to cut off three Mexican financial firms for allegedly helping drug cartels launder funds takes effect Monday. But its impact has already swept through the country's banking industry.

The three designated firms CIBanco SA, Intercam Banco SA and Vector Casa de Bolsa SA have been broken up and sold for parts. Their clients have decamped with their business a big chunk of which was foreign exchange to other banks or brokerages.

And beyond those firms, the banking system at large is on high alert: Lenders have purged clients, bolstered internal controls and upped communication with both Mexican and US regulators in an effort to avoid becoming the next example of the Trump administration's crackdown on drug cartels.

US officials have made their intentions clear: There's a zero tolerance policy when it comes to helping traffickers launder funds connected to America's fentanyl crisis. The ban on the three firms announced in June was the first use of powers given to the Treasury's Financial Crimes Enforcement Network by last year's Fend Off Fentanyl Act. High-level Treasury officials have repeatedly visited the country to hammer home the message.

"This was a shot across the bow in terms of telling banks that Treasury has this tool and intends to use it," said Craig Timm, a former Department of Justice lawyer and senior director at anti-financial crime professionals association ACAMS. "You don't want to be next, because as we're seeing with these institutions, it's an existential threat the moment it becomes public."

Among the order's knock-on effects: Kapital Bank is acquiring a significant part of Intercam's operations while Vector has transferred some assets and clients to Casa de Bolsa Finamex SAB.

CIBanco had its banking license revoked earlier this month and BanCoppel, part of Grupo Coppel, is buying the firm's portfolio of auto loans. Banco Multiva SA is taking over CIBanco's trustee business an operation of substantial importance in Mexico's financial system. CIBanco was trustee for most of the country's issuances of private equity certificates and real estate investment trusts. Intercam also had a significant trustee business.

While the US order had downplayed the potential impact on the Mexico banking system and economy, saying that CIBanco and Intercam together represented less than 2% of the country's commercial bank assets, it made no mention of the significant size of CIBanco's trustee offering.

In the wake of the order, Mexican real estate trusts and US private equity firms had rushed to change trustees in investment vehicles to avoid potentially running afoul of the US designation.

Unconventional Arsenal

The FinCEN orders are among the Trump administration's unconventional arsenal of tools it has been deploying both domestically and abroad, such as the recent deadly military strikes on alleged drug-trafficking boats from Venezuela.

The move against the Mexican banks was part of a broader US administration strategy for the "total elimination of cartels" using powerful tools with a relatively low bar for action. There was no recourse to the order by FinCEN, and just last week Mexican President Claudia Sheinbaum said the US had not delivered convincing evidence that linked the firms to drug trafficking. She said Mexican regulators found only administrative faults and "nothing to do with money laundering."

The banks were fined in late June, in tandem with the US orders, by local regulators over anti-money laundering controls while Vector faced fines related to updating fund information.

Amid the deeper clampdown by US officials, banks in Mexico and globally are enhancing their scrutiny of transactions, particularly those involving Chinese companies that could be linked to the trade in precursor chemicals, Timm said.

Revolut obtiene el permiso en México para operar como banco

Sonia Corona

Revolut es ya oficialmente un banco en México. La entidad ha anunciado este lunes que la Comisión Nacional Bancaria y de Valores (CNBV) le ha otorgado el permiso para operar como institución bancaria en el país. Revolut se suma a Nu, como uno de los llamados neobancos con operaciones 100% digitales que busca un trozo del mercado financiero en México. Con la autorización del Gobierno mexicano, los usuarios de la fintech británica estarán respaldados por el Instituto para la Protección al Ahorro Bancario (IAPB) con fondos por hasta 3,4 millones de pesos (unos 185.000 dólares) por cliente.

En los últimos años, diversas fintechs han comenzado a ofrecer servicios financieros, pero la mayoría de ellos no cuentan con un respaldo del sistema bancario mexicano. El permiso les permite funcionar como cualquier entidad bancaria y ofrecer diversos servicios a sus clientes. "Este hito completa la trayectoria de Revolut para convertirse en el primer banco digital independiente en solicitar directamente y completar con éxito el proceso completo de licencia y aprobación "desde cero" en el país. Revolut se prepara ahora para lanzar su producto a las personas en México que se han inscrito en la lista de espera", anunció el banco en un comunicado.

Revolut nació en 2015 en Reino Unido y fue fundado por el ruso británico Nik Storonsky y el ucranio Vlad Yatsenko. Storonsky, especializado en banca, había trabajado en Lehman Brothers y Credit Suisse; mientras que Yatsenko, un ingeniero informático, había diseñado ya productos para UBS y Deutsche Bank. Ambos diseñaron una tarjeta multidivisa que le permitía a sus clientes hacer pagos en diferentes países sin costos adicionales por el cambio de moneda.

El banco comenzó a crecer desde entonces por su versatilidad, pero realmente cobró auge durante los años de la pandemia de la covid. Actualmente cuentan con 65 millones de clientes y ya han aterrizado en América en Estados Unidos y Brasil. México, el segundo mercado más importante de América Latina, tiene una inclusión financiera estimada del 76%, según datos del Instituto Nacional de Estadística y geografía (Inegi), por lo que aun cuenta con un importante margen pendiente de bancarizar. Además, el modelo multidivisas pone el foco en las remesas que los mexicanos envían al país desde Estados Unidos. "Hemos adaptado nuestra aplicación bancaria de clase mundial para atender a clientes en todo México, tanto en casa como en el extranjero, y esto es solo el comienzo", ha apuntado Revolut en su comunicado.

El camino que Revolut ha elegido para aterrizar en México dista, por ejemplo, del de uno de sus previsibles competidores: Nubank. La entidad brasileña llegó a México hace una década como una sociedad financiera popular, al margen de los bancos al uso. Fue apenas en 2025 que oficializó su entrada a la banca con el permiso de la CNBV. El banco se ha popularizado por el uso de su tecnología y ha captado ya 12 millones de clientes en México. Otro competidor, pendiente de la aprobación de las autoridades mexicanas es Mercado Libre, que desde el año pasado busca su licencia bancaria para ampliar las actividades de su negocio. Con la llegada de Revolut, el mercado de los neobancos en México comienza a consolidarse.

Bloomberg

Mexico Recovers \$10.9 Billion From Fuel Smuggling Crackdown

Mexico has recovered as much as 200 billion pesos (\$10.9 billion) in tax revenue this year due to the government's efforts to stop illegal fuel imports, the head of Mexico's customs agency said Monday.

While the government expects the amount recovered to climb to 300 billion pesos (\$16.3 billion) by year-end, billions of dollars in tax revenue are still being lost as smugglers' operations continue, Rafael Marin Mollinedo, head the ANAM customs agency said in an interview with local media.

"For every peso recovered, thousands more are still slipping through the cracks," Marin Mollinedo said in the interview with local outlet *El Universal*.

President Claudia Sheinbaum's administration has led a widespread effort this year to stop Mexico's vast networks of criminals who skirt federal taxes to illegally import refined fuels like gasoline and diesel into the country. Earlier this month, Sheinbaum announced a joint task force between Mexico's energy, finance and customs authorities, as well as state oil company Petroleos Mexicanos, and other government offices to monitor daily fuel imports.

Authorities have already announced several large-scale seizures this year, including 2.6 million gallons smuggled on an oil tanker in March, and a 4 million gallon bust of illegal fuel in Coahuila state in July. Earlier this year, Mexico halted fuel imports for days at US-Mexico border crossings as inspections ramped up.

The practice of illegally importing fuels, known locally by the slang term "huachicol fiscal," is estimated to have cost the Mexican government tens of billions of dollars in lost tax revenue in recent years. Pemex reported at least \$1 billion in losses from fuel theft in 2024.

Bloomberg

The Optimist's Case for Mexico

JP Spinett

David Arana always had a thing for numbers.

That passion took him to MIT to study mathematics and later to New York, where he traded credit derivatives for Deutsche Bank AG. In 2013, after returning to Mexico, he co-founded Konfío, a start-up seeking to disrupt a market long ignored by the country's traditional banks: credit for small and medium-sized enterprises.

A decade later, Konfío has become Mexico's largest fintech serving this crucial segment of the economy, with 10.8 billion pesos (nearly \$600 million) in outstanding loans. Its secret? Using digital tax receipts to instantly assess a borrower's repayment capacity before approving a loan. More than 98% of the credit decisions happen in real time after the client applies online making the process faster, cheaper and free of collateral requirements.

"The opportunity here is huge really huge. And there's still a lot to do," Arana, 40, told me recently over coffee, adding that his loan portfolio is growing between 30% and 40% per year.

Konfío's rise is emblematic of Mexico's untapped potential. Arana and his partner Francisco Padilla saw opportunity where big banks didn't even bother to look: Access to credit for small firms remains abysmally low, accounting for just 4% of total banking loans, well below regional peers. That chronic underperformance extends beyond finance. Whether in healthcare, insurance, energy or infrastructure, many of Mexico's indicators lag behind those not only in developed nations but also in its Latin American neighbors. Exaggerating only slightly, one could say that in Mexico, almost everything is still waiting to be built.

Regular readers of this column already know the obstacles that have long held Mexico back: corruption and insecurity, a large informal economy, a shortage of quality jobs (especially for women), weak competition and poor public policies. This year's disastrous judicial reform, which threatens to further undermine the rule of law, has only made matters worse. Together, these hurdles explain why Mexico's economy has grown by just 1.7% a year on average over the past two decades, with productivity stalled.

And yet, there is still a case for optimism: If any country stands to gain from today's shifting geopolitical and trade dynamics, it's Latin America's second-largest economy.

But Mexico's biggest selling point is geography. Its free-trade deal with the US gives local exporters privileged access to the world's largest market a huge advantage when President Donald Trump is slapping tariffs across the globe. The US-China trade war and the 2020 replacement of NAFTA with USMCA have only deepened those ties. Mexico now accounts for nearly 16% of US imports, up from less than 13% when Trump first took office in 2017, overtaking China as its top trading partner. What's more, Mexico has built a coproduction system with the US, where industrial inputs ping-pong from one side of the border to the other, adding value in manufactured goods such as automobiles, electronics and medical devices while establishing resilient supply chains in the process. Despite the current climate of uncertainty, non-oil exports to the US grew 6.1% so far in 2025.

Next year's scheduled USMCA review will likely be tough, but even with a less favorable outcome, Mexican firms will remain well positioned. Whatever the new terms, the country will look more attractive relative to other US suppliers, and if Trump's White House is serious about an industrial revival, it won't be able to achieve that without Mexico, which offers a younger workforce, lower costs and business and cultural affinity. For major global firms from General Motors Co. to Netflix Inc. expanding operations south of the border isn't just smart; it's a strategic necessity. Furthermore, polls suggest that despite periodic tensions, most Americans understand that maintaining good relations with Mexico is essential for the US.

As consultant Julio Madrazo puts it, "we live on the best street in the best neighborhood in the world." Compared with other regions, Mexico faces no wars, no demographic collapse, no fiscal or pension crisis; it has geographical access to the Pacific and the Atlantic markets and a wealthy friend next door. The problem, Madrazo adds, is that Mexico has the shaggiest house on the street: "the paint is peeling, some windows are broken and we leave the trash outside."

He's right. Mexico's biggest opportunity lies within reach but to seize it, it must get its own house in order.

Enter Claudia Sheinbaum. Mexico's first female president has just completed her first year in office with approval ratings above 70%. Unlike her predecessor, Andrés Manuel López Obrador, who resented private enterprise and would have nationalized everything if he could, Sheinbaum has built a constructive partnership with the business sector despite her leftist roots. Ask executives in Mexico City and they will talk of her discipline, policy expertise, tireless work ethic and clear sense of direction. Her Plan Mexico a long-term program to promote development, import substitution and nearshoring represents a serious attempt to reignite economic growth, which is expected to come in at just 1% this year and 1.5% next.

Sensing the moment, the World Economic Forum recently brought a delegation of 60 top business leaders, headed by BlackRock Inc.'s Larry Fink, to meet Sheinbaum at the National Palace. They spent almost two hours together, perhaps the clearest sign yet that global investors perceive something is stirring in Mexico. "There's stronger signals now towards a business-friendly policy with investments and jobs," WEF President Børge Brende said after the meeting.

Yet big business still needs to see more. Sheinbaum recently claimed that "Mexico is in fashion, here and around the world." That may be true for the country's heavenly cuisine and stunning tourist destinations, but it's less so when it comes to an investment boom. Despite its open economy, geographical advantage and multiple free-trade agreements

with 52 countries, Mexico attracts about 36% less foreign investment than Brazil and most of that is reinvestments by companies already established here. Meanwhile, gross fixed capital formation, a key measure of domestic investment, fell almost 7% in the first seven months of the year.

There is no better way of attracting capital than by strengthening the institutional and legal framework, and that means reducing entrenched corruption, a problem where Mexico still appears at the bottom of global rankings. While Sheinbaum has shown some early success in reducing murder rates and improving overall security, there is still a long way to go to reclaim full control of the country's territory and dismantle the criminal groups that dominate the narcotrafficking and extortion businesses.

That's why the government must be willing to sacrifice some political dogma for the sake of speed. A flip side of Sheinbaum's disciplined and less improvisational style is a decision-making process that moves too slowly. If the administration is serious about boosting infrastructure, Mexico should already have 20 or 30 projects worth, say, \$5 billion each ports, highways, transmission lines, renewable energy parks under way to truly reshape the economy within a couple of years. It should rely more on private auctions and less on state-led ventures or military-managed projects. As Madrazo also says, Mexico should just get three or four large mixed infrastructure projects going and refine the model as it learns: "There won't be a perfect new framework for public-private partnerships. Perfect is the enemy of good, and new investments are urgent to take advantage of our strengths."

There is another powerful lever within reach in the form of private savings, with the country's pension and investment funds already holding combined assets equivalent to over 30% of GDP. These funds could finance additional long-term infrastructure while providing solid returns for Mexican workers. But that requires greater trust in the private sector and a recognition that business can often deliver what the government cannot, given its financial constraints and lack of technical capacity. That's a hard admission for any statist administration to make, yet it's essential if Mexico wants to unlock its potential. Policymakers would also do well to admit even if privately their dreadful track record with big projects, from the disastrous management of oil giant Pemex to white elephants such as the \$25-billion-plus Maya train.

It's been more than 30 years since Mexico joined the rich nations' club the Organisation for Economic Co-operation and Development a move that raised some eyebrows back in 1994. The country still has all it takes to reach developed-nation status; if it fails to do so now, it will have only itself to blame.

EL PAÍS

La gran apuesta de México para combatir al gusano barrenador estará lista en julio de 2026

Erika Rosete

El Estado de Chiapas fue el epicentro, en 1991, de la primera erradicación en la historia de la plaga del Gusano Barrenador del Ganado (GBG). Una antigua planta de moscas estériles, que operó durante unos siete años en Chiapa de Corzo a unos 15 kilómetros de la capital, Tuxtla Gutiérrez, fabricó en su momento millones de moscas que lograron aquél primer embate contra una plaga. Ahora, 34 años más tarde, la misma enfermedad ha provocado la alarma en el norte y Centroamérica. El Gobierno de México prepara una gran respuesta a este problema. La Secretaría de Agricultura y el Gobierno de Estados Unidos reconvierten un complejo de 14 hectáreas en el municipio chiapaneco de Metapa de Domínguez, para que se convierta en la más moderna del mundo. Sin embargo, el sector aún tendrá que esperar. Moscamed, como se llama la fábrica, comenzará a fabricar 100 millones de moscas estériles hasta julio de 2026.

Hasta ahora, las moscas estériles que se diseminan en territorio nacional para combatir al GBG [100 millones cada semana] son traídas desde la planta que gestiona la Comisión PanamáEstados Unidos para la Erradicación y Prevención del Gusano Barrenador del Ganado (Copeg), en Panamá, donde desde enero de 2025 trabajan al máximo de su capacidad para controlar la plaga. La de Copeg es, por ahora, la única planta que fabrica las moscas estériles de la especie *cochliomyia hominivorax* (mosca tornillo devoradora de hombres) cuyas larvas son las responsables de causar la enfermedad de miasis en especies de sangre caliente, entre las que están los humanos.

Del lado chiapaneco, en el gran complejo de Metapa de Domínguez ubicado a poco más de dos kilómetros de la frontera con Guatemala y a unos 30 kilómetros de la ciudad de Tapachula una gran comunidad científica y técnica, integrada por genetistas, agrónomos, médicos veterinarios y otras profesiones, trabajan todos los días en la fabricación de millones de moscas estériles del mediterráneo, la especie que daña a más de 250 tipos de frutas y hortalizas, una plaga de la que México está libre, pero que de llegar a territorio nacional sería una verdadera catástrofe comercial y alimentaria.

Este complejo fue inaugurado en 1979 con recursos del Organismo Internacional de Energía Atómica (OIEA) y durante más de 40 años fue un referente internacional del combate a una de las 10 plagas consideradas las más letales en el mundo: la de la mosca del mediterráneo. En 2021, el Gobierno mexicano construyó una nueva planta ahí con el argumento de que seguía siendo necesario "proteger la producción hortofrutícola nacional, que comprende más de 250 especies vegetales" y cuyo valor asciende a 19.000 millones de dólares al 2024 en consumo interno y exportaciones, de acuerdo con información oficial.

Los esfuerzos humanos, económicos y gubernamentales alrededor de Moscamed [por Mosca del Mediterráneo] han tenido que ser reorientados desde que en julio de 2023 la enfermedad de miasis por GBG volvió a aparecer en Costa Rica y se diseminó rápidamente hacia el norte.

Dos años después, en julio pasado, el secretario de Agricultura de México, Julio Berdegüé inauguró los trabajos para reconvertir una parte del complejo de Moscamed. Se trata de un edificio que, hasta este mes de octubre, y con un 28% de avance, ha sido completamente desmantelado y vaciado, y se convertirá en unos meses en el relevo de Panamá para producir en territorio nacional las moscas estériles del GBG.

Aunque ahora luce todavía en obra negra, las autoridades del Servicio Nacional de Sanidad, Inocuidad y Calidad Agroalimentaria (Senasica) son optimistas y calculan que para julio de 2026 este espacio en el que antiguamente se fabricaron moscas estériles del mediterráneo funcione en su totalidad, ahora, para la especie del gusano barrenador.

Humberto Gomes Velasques, coordinador del programa de Moscamed, explicó: "Se hizo un análisis de acuerdo a la viabilidad de este inmueble, para la producción de las moscas estériles del GBG y encontramos tres ventajas, una de ellas es que este inmueble tiene un laboratorio BSL-2 [de 4 que existen] y tiene 2.016 metros cuadrados de área de biocontención, lo que significa que es restringida para la entrada y salida de materiales, lo que es importante para lo que se lleva a cabo dentro, y también contamos con un irradiador de Cobalto 60 que, con ciertas adecuaciones, se adaptará a la producción".

Moscamed abre la puerta

Son las primeras horas del día y en el aeropuerto internacional de Tapachula, varias avionetas de la empresa Servicios Mubarqui S. de R.L. de C.V. se preparan para recibir el cargamento desde la nave de empaque de Moscamed, ubicada en esa misma ciudad y a donde han llegado las moscas en contenedores de metal que serán arrojadas desde el cielo. Unas horas antes, las moscas han permanecido en cuartos de enfriamiento a temperaturas de entre 0 y 3 grados centígrados, que las mantiene dormidas o aletargadas hasta que son cargadas en las aeronaves.

Dos veces por semana estas avionetas hacen la liberación de moscas estériles, en vuelos que suelen durar en promedio cuatro horas 3,6 millones de moscas por cada vuelo en los llamados polígonos de liberación, es decir, las zonas del país en donde está presente la plaga: Chiapas, Oaxaca, Veracruz, parte de Guerrero y, más recientemente, en Querétaro. José Luis Quintero Fong, coordinador del programa operativo Moscamed, recuerda que la primera erradicación de la plaga del GBG en el país tardó casi dos décadas, y señala: "Esperamos que la plaga del GBG sea erradicada de México en menos de 19 años, estamos trabajando para ello y esperamos que lo podamos hacer en un término mucho menor. [...] Eso será posible si hacemos la divulgación, entre más conocemos de la plaga, entre más nos informamos, será más sencillo evitar la propagación".

Para el momento de la liberación, las moscas del tipo del mediterráneo cuyos huevos son proporcionados por otra planta del programa, El Pino, desde Guatemala ya son estériles y han pasado por complejos procesos que suceden en Metapa. Desde la incubación, alimentación, crecimiento, colecta de larvas, alimentación, teñido para diferenciarlas de las moscas silvestres e irradiación con Cobalto 60, la técnica que anula su capacidad reproductiva.

El proceso de creación del insecto estéril, que dura unos 21 días, tiene lugar en ese complejo gigantesco donde decenas de edificios interconectados alojan las largas y altas habitaciones aclimatadas con distintas temperaturas para alojar cada etapa de vida del insecto. El genetista, Salvador Meza, explica: "Nuestra producción está enfocada en poner una barrera biológica para que los insectos no puedan entrar al país. La técnica del insecto estéril es un control natal de la población, tratan de que no nazcan más insectos, es amigable con el ambiente, totalmente ecológica y evita el uso de miles y miles de litros de insecticida, esta es la función de esta planta". Todos los procesos que suceden en Moscamed, aunque por ahora son acaparados para las moscas estériles del mediterráneo, serán ejecutados de formas muy similares para la fabricación, en unos meses, de las moscas del GBG.

El proyecto de reconversión de este nuevo espacio exclusivo para el GBG tiene una inversión conjunta entre México y Estados Unidos de 51 millones de dólares, de los que el Gobierno mexicano aporta 30 millones y el estadounidense 21. La razón para llevar a cabo este trabajo es fortalecer la estrategia de control y erradicación, que inició a mediados de 2024. De acuerdo con Quintero Fong, se prevé que la nueva planta en Metapa arranque con una producción de entre 30 y 60 millones de moscas estériles a la semana, una cifra que irá en aumento hasta llegar a los 100 millones de insectos adicionales a los que fabrique Copeg.

Con el otro proyecto de la construcción de una planta de fabricación de estas moscas, en Texas, los esfuerzos internacionales proyectan una producción de hasta 500 millones de moscas semanales que serán arrojadas en toda la región. Si la cooperación internacional se mantiene, la miasis podría ser erradicada en menos tiempo que la primera vez. Algunos de los representantes de Senasica han hablado, incluso, de lograrlo en cinco años.

La crisis en números

Información de Senasica apunta a que los casos por miisis causadas por el GBG en el país han disminuido en un 28%, respecto al 11 de septiembre pasado, cuando se tuvo un registro máximo de incidencia. Los datos más recientes de la dependencia apuntan a que en total han registrado en México 7.943 casos positivos, que representan 0,02% del hato [una porción de ganado mayor y las fincas destinadas a su crianza] ganadero nacional.

De noviembre de 2024 al 31 de agosto de 2025, el costo del despliegue sanitario por GBG asciende a 1,128 millones de pesos, más de 60,34 millones de dólares. Además, Senasica estima que se han dejado de exportar 700.880 cabezas de ganado bovino en pie a Estados Unidos. Las exportaciones no realizadas por el cierre de la frontera norte representan 642 millones de dólares. La afectación de los ganaderos por vender en mercado mexicano se calcula en 103.44 millones de dólares (aproximadamente 2,022.50 millones de pesos) por la no exportación.



Why U.S. cattle ranchers say Trump's Argentine beef import talk is no solution to domestic food supply threat

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Lori Ann LaRocco

Cattle ranchers in Texas and around the country are concerned that the screwworm, a parasitic fly that was once eradicated in the U.S., is threatening a comeback from the Mexican border and recent talk from President Donald Trump about importing beef from Argentina is no long-term solution for a beef supply chain already under stress or consumers who have watched beef prices hit record levels.

The New World screwworm is a parasitic fly that lays eggs in the open wounds of warm-blooded animals. The larvae then hatches from the eggs and burrows into tissue of animals to feed on them. If caught early, the sick animal can be treated and survive. Human cases are rare but can be painful and require medical attention. In August, the U.S. Department of Agriculture said in a statement that the Department of Health and Human Services and Centers for Disease Control and Prevention identified a case of the flesh-eating parasite in a person in Maryland who returned to the U.S. after traveling to El Salvador.

The New World screwworm was successfully eradicated from the United States in 1966. But the Maryland case and other recent appearances in Mexico have cattle ranchers in Texas and around the country on edge. Mexico's National Service of Agro-Alimentary Health, Safety, and Quality confirmed on October 6 another case of the flesh-eating screwworm parasite in Nuevo Leon, a city that borders the U.S. It marked the country's second confirmed case in approximately two weeks.

"Texas is a material contributor to the beef industry," said Andrew Coppin, co-founder and CEO of ranch management company Ranchbot Monitoring Solutions. "You have millions of beef cattle along the southern border alone."

The U.S. Department of Agriculture has closed the border to Mexico for imports of live cattle, bison, and horses on and off since 2024 due to the spread of the New World screwworm. The border is currently closed. Before the closure, Mexico was an exporter of calves to the U.S., with USDA data showing the U.S. imported over one million cattle annually, approximately 3.3% of the U.S. total calf crop.

Sixth-generation Texas rancher James Clement III told CNBC the key to eradicating the screwworm threat is years out. To combat the spread of the flies, the USDA disperses sterile flies into the area to stop the mating, a scientific method known as sterile insect technique (SIT). It was the reason for the successful eradication of the flies in the U.S. But Clement said the flies used previously were brought in from Panama and while the USDA has said it is committed to developing a domestic sterile fly production facility, "that is at least two or three years away. By then it will be too little to late," he said.

The USDA did not respond to a request for comment.

Clement, whose family business has operated multiple ranches over the last 400 years, said American ranching has evolved and has become more efficient. While this is good for production, in times of threats like biohazards such as screwworm, it is a challenge.

"We require less labor now so it would be difficult and challenging to detect an infected cattle," he said. "We don't have the people to check every head of cattle daily. Most of this cattle are free range and the grass pastures are large."

Stopping screwworm spread

The USDA, alongside Mexico, has been monitoring nearly 8,000 traps across Texas, Arizona, and New Mexico since July. More than 13,000 screening samples have been submitted, with no NWS flies detected.

But Clement says, "this is spreading quickly. A year ago, screwworm was already in southern Mexico, then it spread into central and northern Mexico. Now it is happening just south of our border. It's not a matter of if screwworm spreads to the U.S., it's when."

Clement said the situation is adding to the supply-demand imbalance in the cattle industry which has already increased due to drought. Beef prices have climbed to record highs after cattle ranchers slashed their herds due to dried-up lands used for grazing. Feed costs rose as a result.

According to government data, as of July 2025, the U.S. cattle herd is approximately 94.2 million head, the lowest inventory since 1951.

Coppin tells CNBC the key component to increasing herd size is water.

"Typically, ranches have thousands of acres and cattle," Coppin said. "Less grasslands as a result of less water equals smaller herds."

He estimated 30% of the U.S. is still in drought conditions.

"The question ranchers are asking themselves is, will I have enough feed to feed my herd? This is why grasslands are important. Feed is a big input cost that eats into the margin of ranchers," he said.

Coppin said while the importing of beef from Argentina may lower the cost of beef for consumers (futures had dropped sharply after Trump's comments but have since trended up again), for ranchers facing drought and screwworm, the incentives to increasing herd size are dwindling.

"Ranchers don't want their product to be substituted," Coppin said.

Recently, some U.S. ranchers have begun taking steps to start rebuilding herds. However, ranchers and beef supply chain experts like Coppin say it takes about two years before beef output rises because it takes time to raise full-grown cattle.

The National Cattlemen's Beef Association said in statement on Monday after President Trump floated his idea to import beef from Argentina over the weekend that it was urging Trump and Congress to allow the market to work rather intervene and harm rural America.

"This plan only creates chaos at a critical time of the year for American cattle producers, while doing nothing to lower grocery store prices," said Colin Woodall, CEO of NCBA.

The NCBA also cited Argentina's "deeply unbalanced trade relationship" with the U.S. In the past five years, Argentina has sold more than \$801 million of beef into the U.S. market. By comparison, the U.S. has sold just over \$7 million worth of American beef to Argentina, according to NCBA data. It noted Argentina also has a history of foot-and-mouth disease, which if brought to the United States, could decimate domestic livestock production.

Clement said having the government step in and try to regulate the markets is not what the U.S. should be focused on.

"The market will take care of itself," Clement said. "We need the government preventing and stamping out screwworm. Then we can recruit the next generation saying, 'ranching is a profession that you can do to take care of your family, and have a good quality of life. The government will look after us through biosecurity and the prevention of animal disease. Not manipulating the markets.'"

Tres observaciones a la reforma a la Ley de Amparo

Luisa Conesa

El 16 de octubre se publicó el Decreto de Reforma a la Ley de Amparo, después de dos semanas de ardua discusión legislativa sobre la propuesta presentada por la presidenta Claudia Sheinbaum. Se trata de un tema sumamente técnico, pero también cargado de contenido emotivo.

El amparo es una institución de orgullo nacional. Su origen se remonta al proyecto separatista constitucional de Yucatán en 1841 y después se incorpora a la Constitución Federal de 1857, reconocida mundialmente como la herramienta por excelencia para la protección judicial contra las violaciones a los derechos humanos perpetradas por las autoridades. Dada su relevancia para el orden jurídico nacional, es entendible y deseable que sus reformas formen parte del quehacer colectivo. Frente a tantas voces que se pronunciaron en favor y en contra en este proceso, hago aquí un esfuerzo por esclarecer el resultado final. Me concentro en tres puntos que considero de relevancia: interés legítimo, suspensión y ejecución de sentencias. Otros temas como las reformas en materia fiscal y la retroactividad merecen un análisis pormenorizado.

1. El interés en el juicio responde a la pregunta, ¿quién puede acudir al amparo? La modalidad de interés legítimo entró al orden jurídico en la reforma constitucional de 2011 y en la Ley de Amparo de 2013, y ha sido materia de interpretación jurisprudencial desde su creación a la fecha. Es una figura intermedia entre el interés jurídico el agravio personal y directo y el interés simple, el que tiene cualquier persona en el quehacer de las autoridades, que no tiene protección jurisdiccional.

Para no entrar en demasiados tecnicismos, basta con explicar que se trata de una lesión colateral, en oposición a personal directa, sufrida por una persona o colectivo, en virtud de su especial situación frente al orden jurídico. Por ejemplo, la que sufren personas de una comunidad afectada por un proyecto que impacta el medio ambiente, como el famoso caso de Laguna de Carpintero, el cual otorgó el amparo contra la construcción de un parque temático en Tamaulipas, que generaría un fuerte impacto ecológico para generaciones presentes y futuras.

Al tratarse del medio por excelencia utilizado por colectivos para la defensa de derechos humanos, particularmente de corte económico y social, el contenido de la iniciativa generó serios cuestionamientos. Esencialmente, porque modificaba el texto de su artículo 5o para decretar que la lesión que se hiciera valer en el amparo debería ser real y actual, de forma que su anulación produzca un beneficio cierto y directo.

Después del ejercicio de Parlamento Abierto, el texto aprobado por la Cámara de Senadores matizó este estándar, concluyendo que la lesión jurídica podrá ser individual o colectiva, eliminando la locución "actual" en la lesión y "directo" en el beneficio. A mi parecer, estos cambios son positivos, pues hacen el acceso menos rígido, particularmente en temas medioambientales, donde los beneficios son difusos y futuros por naturaleza.

2. La ejecución responde a la pregunta: ¿cómo se obliga a las autoridades a cumplir con la sentencia? Se trata de una cuestión transversal y central, pues una sentencia que no es cumplida simplemente no es derecho, sino poco más que una llamada a misa.

En esta medida, celebro que después de la discusión en el Senado, se hayan eliminado los mecanismos que quitaban dientes a los jueces para hacer cumplir sus determinaciones, contenidas en la iniciativa. Me refiero a la modificación mediante la cual las multas dejarían de ser pagadas por los servidores públicos y pasarían a ser cubiertas por el Estado, así como la posibilidad de eximirles de responsabilidad administrativa y penal, si acreditaban que existía imposibilidad jurídica o material de cumplir, visibles en los artículos 192, 193, 262, 267 y 269.

3. La suspensión se cuestiona: ¿qué estado guardarán las cosas durante la tramitación del juicio? Se trata igualmente de un asunto de la mayor importancia, pues en muchas ocasiones si no se otorga la medida, simplemente no habrá materia del juicio cuando concluya.

Pensemos en el caso de la menor que solicita acceso a una medicina indispensable para su supervivencia, que fue negado por la autoridad, en el que se otorga la suspensión para que cuente con el medicamento durante el procedimiento. En este tipo de ejemplos, negar la suspensión es, para todos los efectos, anular el acceso a la justicia. Es por ello que preocupaba que la iniciativa erigiera barreras para el otorgamiento de la suspensión, decretando que podría negarse por contravenir el "interés público" (concepto jurídicamente indeterminado que puede dotarse de cualquier contenido, particularmente cuando la contraparte es el Estado) y daños de difícil reparación (imponiendo una carga procesal al particular que antes no existía, y que puede dar lugar a un margen amplio de apreciación por el juzgador).

Afortunadamente, estas modificaciones fueron suprimidas después del Parlamento Abierto en la Cámara de Diputados. Espero que estas líneas hayan servido para dar una descripción objetiva y balanceada de este proceso que, desde luego, tiene implicaciones mucho más amplias. La cuestión de la retroactividad, por nombrar una, presenta temas de alta complejidad técnica, desde que la propia Suprema Corte estableció que las reglas deben regirse por etapas procesales, y que no generan derechos adquiridos, lo que intentó reflejarse en el artículo Tercero Transitorio del Decreto. Yendo hacia adelante, debemos observar cuidadosamente la interpretación que las personas juzgadoras hagan de estas nuevas reglas, para que de forma alguna sirvan para inclinar la balanza en favor del Estado.

EL PAÍS

Fernández Noroña solicitará licencia al Senado tras los escándalos por su patrimonio y el uso de aviones privados

Zedryk Raziel

El senador morenista Gerardo Fernández Noroña ha anunciado este lunes que solicitará licencia a su cargo en la Cámara alta. El legislador no ha explicado la razón de su solicitud de permiso, y ha indicado que el martes dará una conferencia en el Senado para hablar de ello. La decisión de Noroña, uno de los pesos pesados de Morena, se da tras los escándalos que le han rodeado por su riqueza inexplicable y por haber utilizado un avión privado también salpicado de polémica por el despilfarro de recursos públicos para hacer campaña por el norte del país. "Tengo una tarea que hacer y necesito pedir licencia", ha dicho lacónicamente, sin dar más detalles, a través de un video.

Su separación del cargo comenzará el 24 de octubre y será temporal, según ha precisado. El senador ha rechazado que haya sufrido presiones, en referencia a las polémicas, para tomar su decisión. "Ya empezaron a especular, y el golpeteo y los escándalos. Me hacen los mandados con todas sus intrigas", ha afirmado. Normalmente, los parlamentarios solicitan licencia para emprender una carrera política, con miras a cargos de elección popular. En el caso de Noroña, quien fue uno de los aspirantes de Morena a la presidencia, también puede tratarse de un movimiento para bajar la creciente presión mediática y política sobre sus espaldas.

Noroña ha hecho el anuncio durante una de sus típicas transmisiones en redes sociales. El político, que militaba en el PT y recientemente se cambió a Morena, arrastra una estela de señalamientos, que se suman a su carácter de por sí provocador. En el Senado, cargo al que llegó gracias a un acuerdo suscrito con el expresidente Andrés Manuel López Obrador y la actual mandataria, Claudia Sheinbaum, ha protagonizado desplantes de autoridad, y hace unas semanas fue objeto de una agresión directa de parte del dirigente del PRI, el también polémico senador Alejandro Moreno.

Las miradas apuntaron con intensidad a Noroña luego de que se descubrió que posee una casa de 12 millones de pesos en Morelos, él que tanto ha insistido en su condición de "ser pueblo". Las explicaciones posteriores agravaron el problema. Cuestionado por los medios sobre si tener una casa de esas características no era una contradicción con los principios de Morena, partido que profesa la humildad en el ejercicio público, Noroña declaró que él no tenía la obligación personal de ser austero, sino que, en todo caso, la austeridad se debe aplicar al gasto gubernamental.

Luego se filtró un video que mostraba al senador utilizando una aeronave privada para acudir a una gira en Coahuila. Noroña, que tiene en la mira las elecciones presidenciales de 2030, suele presentar "informes" de su trabajo parlamentario por todo el país. Aquella vez utilizó un avión debido a lo apretado de su agenda, según justificó él mismo. El exclusivo flete está rodeado de incógnitas. Si bien dijo que pagó por el viaje lo que le habría costado la exorbitante cantidad de 14.000 dólares, el avión tiene placas estadounidenses y no cuenta con permisos para dar servicio de transporte de alquiler en México, lo que ha alimentado la versión de que el vehículo, en realidad, fue prestado. Contrario al credo de Morena, el senador aseguró que el uso de aeronaves es permitido en ciertas ocasiones.

La presidenta Sheinbaum ha mostrado su malestar hacia su compañero de partido. Hace unos meses, la mandataria solicitó una reforma a los Estatutos de Morena con dedicatoria al senador, que a menudo hace vuelos en primera clase a eventos internacionales con cargo al erario, lo que Sheinbaum calificó de "turismo político". La salida de Noroña del cargo podría marcar la pauta a otros de sus correligionarios sumidos en las constantes polémicas, caso del senador Adán Augusto López y del diputado Ricardo Monreal, que han aguantado hasta hoy en el ojo público la andanada de críticas provenientes de dentro y fuera de la formación oficialista.

Adán Augusto López desaparece en cinco años 30 millones de pesos de sus declaraciones patrimoniales

Carlos Carabana

Adán Augusto López Hernández jefe de senadores de Morena, frustrado candidato a la presidencia, exsecretario de Gobernación y exgobernador de Tabasco se ha empobrecido durante su actividad política. Al menos eso es lo que se desprende del análisis de sus declaraciones patrimoniales desde que llegó al Gobierno de Tabasco en 2019. Si en su primer reporte, presentado aquel año, señalaba tener 34 millones de pesos entre decenas de bienes muebles, vehículos, terrenos y casas, en el último, elaborado cinco años más tarde ya como senador, sus propiedades se limitan a dos terrenos por valor de 3.5 millones de pesos. Una diferencia de 30 millones, que abona a las sospechas que han rodeado al político y sus ingresos en las últimas semanas.

Integrantes del Sistema Nacional Anticorrupción (SNA) publicaron este lunes una petición a varias instituciones federales para abrir una investigación sobre el patrimonio de López Hernández. "En días recientes se han difundido señalamientos públicos sobre posibles incongruencias patrimoniales y fiscales, así como eventuales conflictos de interés, relacionados con el senador", se lee en su comunicado, que hace referencia un reportaje publicado por N+ Focus en el que muestran, con información fiscal, que el exgobernador de Tabasco recibió 80 millones de pesos en 2023 y 2024 y no los enlistó en sus declaraciones patrimoniales. Este instrumento sirve para controlar la evolución de propiedades, activos y dineros de los funcionarios públicos. La petición fue bajada horas después de las redes oficiales del Sistema Nacional por discrepancias por el pronunciamiento entre los miembros del organismo.

Ciudadanos representantes de diversos Comités de Participación Ciudadana, y yo, lanzamos esta mañana este comunicado; fruto del trabajo colectivo por la integridad pública. Queremos una investigación a profundidad por las discrepancias en la declaración patrimonial y fiscal del... pic.twitter.com/1I5j1LAoy9

En una revisión de las declaraciones patrimoniales del político, se observa que, en febrero de 2019, entre su mujer y él, López Hernández declara poseer diez millones de pesos en diversos bienes muebles. Estos incluyen mobiliario de casa por valor de dos millones, casi ocho millones en monedas y metales ("Centenarios, Onzas Troy, Moneda Nacional, Divisas y Otros"), y el restante en joyas. Además, dice tener tres vehículos dos camionetas; Chevrolet Suburban y Toyota Highlander y un Volkswagen Jetta que suman 1.4 millones de pesos y 12 propiedades. De estas, siete, con un valor de 20 millones de pesos, están a su nombre o el de su mujer, Dea Isabel Estrada, mientras otras cinco (2.4 millones en total) son propiedad de "dependientes" de López Hernández. En total, con él como declarante, López Hernández suma 21.7 millones de pesos en propiedades.

En su última declaración como secretario de Gobernación, antes de lanzarse a competir para ser abanderado de Morena a la presidencia de la República, ya no estaban los muebles, joyas y centenarios, ni la Suburban y tampoco la mayoría de sus propiedades. Solo le quedaban dos, una vivienda de 8.3 millones de pesos y un terreno rústico de un millón. Todo esto se va en su última declaración como senador, donde solo dice poseer dos terrenos recibidos en herencia en septiembre de 2024, que suman un total de 3.5 millones de pesos. Se preguntó al equipo de prensa del senador, pero a cierre de edición no hubo respuesta.

López Hernández, originario de una familia de notarios de Tabasco, saltó a la primera línea política cuando fue requerido por el entonces presidente, Andrés Manuel López Obrador, para convertirse en su segundo secretario de Gobernación y principal operador político. En los últimos meses parece que coleccióna señalamientos, siendo el principal su relación con Hernán Bermúdez Requena, al que nombró secretario de Seguridad en Tabasco cuando fue gobernador de ese estado y acabó como cabeza de una organización criminal con el apodo Comandante H o El Abuelo.

También este lunes, la diputada panista María Elena Pérez Jaén, denunció al político ante la Fiscalía General de la República por presuntas irregularidades durante sus años como gobernador de Tabasco. Pérez Jaén presentó una suma estratosférica de 37 denuncias, usando como base diversas auditorías federales de los años 2019 y 2020, que supuestamente describen irregularidades no aclaradas en programas federales por unos 750 millones de pesos.

José Ramón Cossío Díaz

El estilo de gobierno obradorista pasado y presente radica en la permanente asunción de que todo lo suyo va bien e irá mejor. Que los males de hoy resultan de los gobiernos y personajes del pasado remoto. Que su proceder está encaminado a corregir los vicios heredados, tantos, que su propio y formidable actuar apenas puede desplegar sus bienes y bendiciones. No hay día (sic) en que la presidenta de la República, los integrantes de lo que sea su movimiento o sus muchos corifeos, no digan y con ello traten de convencernos algo acerca de lo denodado de sus luchas ni de la responsabilidad de quienes vieron arrebatado su maligno poder, para dar cabida a la tan positiva transformación que también se dicen y nos dicen está desplegándose en nuestro lastimado país.

Más allá de la infantilidad de asignar culpas, el problema en este tan moreno modo de gobernar es que permite a sus perpetradores fugarse del presente para terminar comprometiendo el futuro de todos. Quien está pendiente de asignar a aquellos que lo han precedido familiares, jefes o conocidos sus propios males, queda imposibilitado para darse cuenta de aquello que les está aconteciendo. Más allá de los consabidos consejos de autoayuda que esta invocación podría suponer, lo cierto es que en los planos estrictamente cognitivos y de responsabilidad es difícil percatarse de lo que está sucediendo, ya sea para analizarlo, comprenderlo o para resolverlo.

Las actuales autoridades asignan culpas a todos, menos a sí mismas. Para ellas es igual una masacre, una inundación, la pérdida de fondos, la corrupción abierta, el involucramiento de parientes o prácticamente lo que sea, pues siempre y en toda ocasión encuentran la manera de vincularlos con algún pasado. Tenga este la forma de un partido político, de un crítico o de un simple disidente. Sea porque actuó en un tiempo anterior, porque estuvo vinculado con alguien en otro tiempo o porque representa unos intereses que, a juicio de los recientes titulares del poder, provienen de otros tiempos, se busca radicar en el pasado lo que de negativo se suscite en el presente.

La loca carrera para sustentar la realidad presente en el pasado les impide a los gobernantes de ahora darse cuenta de lo mucho que se está formando en el presente por su acción u omisión. Menos aún pueden advertir las implicaciones que esos elementos en formación tendrán para el futuro de todos. Mediante un mínimo ajuste a esa perspectiva pasadista, sería posible advertir que en el hoy que está corriendo, en aquello que se está actualizando cotidianamente, en el presente simple del día a día, hay muchos elementos que se están formando e incidirán en el México del futuro inmediato.

Al asignar responsabilidades a los agentes pasados, los actuales están evitando determinar las culpas que se están actualizando por las conductas cometidas aquí y ahora. Tan escapista proceder está permitiendo abultar el régimen de impunidad y posibilitar que este no solo deje intocado el pasado cercano, sino que genere nuevos y profundos efectos futuros en nuestra convivencia social. Quien hoy está delinquiendo y asume que no será castigado, seguramente está ampliando sus alianzas criminales y acrecentando sus redes de protección. Este juego de ampliaciones y acrecentamientos irá desde la comisión de los delitos que permiten la directa apropiación de recursos no debidos, la necesidad de protección física mediante violencias privadas, la conformación de redes de lavado de dinero o el establecimiento de particulares maneras de protección estatal. Lo que estamos viendo construirse frente a nosotros es una modalidad más del muy conocido modelo histórico en el que las delincuencias estatales y privadas se relacionan entre sí para sobrevivir, mantenerse o expandirse.

Cuando se observan las maneras en las que nuestra sociedad de hoy se está desarrollando, son visibles los adelantos de nuestra sociedad futura. Las violencias criminales reinantes se ampliarán a los sectores de la población que requieran o a quienes se impongan formas de protección. Los recursos ilícitos continuarán lavándose, distribuyéndose y financiando operaciones hasta adquirir apariencia de normalidad. Los usos de un poder público reclamado y ejercido a nombre de todos, pero ejercido de manera facciosa para satisfacer los afanes personales de sus titulares y sus crecientes necesidades de protección.

En la historia nacional y universal ha habido períodos como el que en estos momentos se está construyendo en México. Situaciones en las que quienes están en el poder público y privado, no tienen capacidad de corregir sus propias conductas por estar atrapados en la red de intereses de la que depende su propia posición. Entornos en las que romper los pactos que les han permitido llegar a donde están abre el dilema de su destrucción o reducción.

Con independencia de que no vaya a hacerlo, la única posibilidad con que cuenta el régimen vigente de salir adelante es dejando de estar en el pasado para pensar y desarrollar su acción política en el presente y sobre el futuro. Determinar quién, hoy, está posibilitando la construcción de un terrible porvenir para la población a la que se dice deberse y representar. Identificar a quiénes y cómo, están propiciando el surgimiento o el mantenimiento de los actuales serpentarios nacionales. De esos lugares en los que, como en la película de Bergman, se están incubando las serpientes que ya podemos ver perfectamente formadas con solo mirar sus huevos contra la luz.

México extradita a Estados Unidos a Carlos Érick Vázquez González, presunto operador financiero del CJNG

La lista de capos de la droga mexicanos extraditados a Estados Unidos ha sumado este martes un nuevo nombre. La Fiscalía General de la República (FGR) ha informado de que Carlos Érick Vázquez González, detenido en Zapopan el pasado mayo, enfrentará su proceso legal del otro lado de la frontera. González es requerido por el Tribunal Federal para el Distrito Este de Kentucky por acusaciones de lavado de dinero para el Cartel Jalisco Nueva Generación, según apunta el periódico Reforma.

La Fiscalía ha detallado que González ya ha sido entregado a las autoridades estadounidenses en el Aeropuerto Internacional de la Ciudad de México bajo el Tratado de Extradición firmado entre ambos países. El detenido es descrito como "un fugitivo de nacionalidad mexicana requerido por el Tribunal Federal para el Distrito Este de Kentucky, por los delitos de asociación delictuosa y lavado de dinero". Según la FGR, el papel de González en la "red de organizaciones de lavado de dinero para un grupo delictivo" consistía en recibir depósitos de las ganancias de la venta de droga para mover el dinero a diversas cuentas, con el fin de ocultar su procedencia.

El Gobierno de Estados Unidos había solicitado la entrega de González desde el momento de su detención en México hace cinco meses. Su nombre se suma al grueso de narcotraficantes que serán juzgados en suelo estadounidense como parte de la estrategia agresiva de Donald Trump contra las organizaciones criminales a las que ha categorizado como terroristas en su lucha contra el tráfico de drogas.

El pasado agosto, la Administración de Claudia Sheinbaum envió a 26 detenidos con cargos de narcotráfico vinculados al Cartel de Sinaloa, al Cartel Jalisco Nueva Generación, Los Zetas, La Familia y los Arellano Félix. Fue la segunda extradición a gran escala de la presidenta, quien en febrero entregó a otros conceder a su vecino del norte, después de que en febrero entregara a otros 29 criminales, entre ellos Rafael Caro Quintero, reclamado por la justicia estadounidense desde hace décadas.

La lucha por atrapar a Brother Wang, el capo chino del fentanilo

David Marcial

La historia de Zhi Dong Zhang se parece más a la de un agente doble durante la Guerra Fría, que a la de un capo chino del fentanilo. Acusado de mover miles de kilos de droga y de blanquear millones de dólares a través de una organización criminal con tentáculos en medio mundo, Zhi Dong fue detenido en otoño del año pasado en Ciudad de México. Es un objetivo prioritario para Estados Unidos y todo parecía listo para su inminente extradición. Pero este verano escapó y dio comienzo una peripecia por varios países en un desesperado intento por librarse a la Justicia estadounidense. Fuentes oficiales mexicanas confirmaron a EL PAÍS que Brother Wang, uno de sus alias, se encuentra en Cuba, donde llegó con pasaporte falso tras ser rechazada su entrada en Rusia por lo mismo. México aguarda para que las autoridades cubanas concluyan su interrogatorio para recibirla y, automáticamente, según las mismas fuentes, extraditarla a Estados Unidos. La agencia antidrogas estadounidense (DEA) lleva tiempo detrás de Zhi Dong, al que acusan de dirigir desde al menos 2016 una red criminal que trabaja tanto para el Cartel de Sinaloa como para Jalisco Nueva Generación. La organización de Zhi Dong tiene su base en Los Ángeles (California) y Atlanta (Georgia), pero con vínculos en Centroamérica, Sudamérica, Europa y Asia. La fuga de Ciudad de México, confirmada el 11 de julio, generó mucha controversia. Se encontraba en una cárcel de máxima seguridad hasta que un juez le otorgó arresto domiciliario, de donde escapó pese a estar bajo custodia militar.

La decisión del juez fue criticada incluso por la presidenta, Claudia Sheinbaum. En plena negociación de un acuerdo de seguridad con EE UU, que tiene al fentanilo como enemigo público número uno, la mandataria salió a defender los avances de su Gobierno en el combate contra el crimen y cargó contra la decisión judicial. "El juez, sin ningún argumento, porque la Fiscalía estuvo peleando y dando todos los argumentos, le da prisión domiciliaria. No debería de haber tenido esa resolución por parte de un juez". "¿Cómo es posible?", insistió la mandataria, quien argumentó que su Gobierno ha estado insistiendo "en la corrupción del Poder Judicial". El mismo juez de la capital que dio la polémica orden de mandar a Zhi Dong a arresto domiciliario, hizo lo mismo con el exprocurador general, Jesús Murillo Karam, acusado de desaparición forzada y tortura en el caso Ayotzinapa.

La fuga del narco chino sucedió además en un momento especialmente delicado. Seis días antes, un tribunal federal de Georgia había emitido nuevos cargos contra Zhi Dong. En concreto, le acusan de lavar, solo entre los años 2020 y 2021, al menos 20 millones de dólares en Estados Unidos, a través de una compleja trama de más de 150 empresas fantasma y 170 cuentas bancarias.

El cerco sobre Zhi Dong se estrechó tras la detención reciente de uno de sus operadores, Ruipeng Li, al que le confiscaron cientos de documentos bancarios vinculados con Zhi Dong. Según la denuncia del tribunal de Georgia, a la que ha tenido acceso este diario, Li explicó a las autoridades estadounidenses cómo estaba organizado el negocio criminal. Por un lado, una célula mexicana se encargaba de recolectar el dinero de la venta de droga a los traficantes finales. Por otro, una célula china se dedicaba a recibir ese dinero negro y lavarlo a través de la red de empresas y cuentas bancarias.

La denuncia recoge un listado exhaustivo de los pagos por goteo que se realizan en distintas cuentas y en diferentes Estados: Georgia, California, Illinois, Nueva York, Michigan. Siempre por sumas que no superaban los 100.000 dólares y siempre en entidades solventes como Bank of América, JP Morgan o Wells Fargo. Según la denuncia, porque "esos bancos están acostumbrados a recibir altas sumas de dinero sin hacer demasiadas preguntas". La mayoría de las transacciones eran a favor de la empresa Mnemosyne International Trading Inc, una de las compañías fachada vinculadas a Zhi Dong.

La investigación de la DEA incluye la intervención de llamadas y mensajes, así como seguimientos a las casas de seguridad donde resguardaban la droga. Zhi Dong utilizaba palabras clave para comunicarse con sus cómplices. "Coffee" significaba fentanilo. "Food", cocaína. Los cálculos sobre la cantidad total de droga que la organización transportaba de México a EE UU ascienden a más de 1000 kilos de cocaína y casi 2.000 de fentanilo.

La denuncia judicial incluye también una descripción de Zhi Dong. Nacido en Pekín en 1987. Algo más de un metro setenta de estatura y unos 80 kilos. Pelo negro y ojos marrones. Alias: Brother Wang, El Chino, Tocayo, Pancho y Nelson Mandela. El enigmático capo chino usaba diferentes identidades y pasaportes falsos para moverse sin levantar sospechas entre América, Asia y Europa. Hasta su fuga de Ciudad de México y su intento de entrada en Rusia y posterior destino en Cuba. Las andanzas de Zhi Dong parecen que esta vez están más cerca de acabar en una prisión estadounidense.



Waller says Fed staff studying streamlined 'payment accounts'

By Pete Schroeder

October 21, 2025 7:58 AM CST Updated 1 hour ago

WASHINGTON, Oct 21 (Reuters) - The U.S. Federal Reserve is studying the creation of a new account that would provide access to Fed payment services for firms that currently rely on third parties like banks for that access, a senior official said on Tuesday.

Fed Governor Christopher Waller said the so-called "payment account" is a prototype idea that could grant access to firms seeking to utilize the Fed for payment services, without granting them full access to the services and backstops the Fed provides to banks. Waller said the idea is just a prototype currently and could change. But it could provide broader access to Fed payment services typically reserved for banks, potentially opening the door to fintechs and other firms that have sought entry into the system, but faced resistance from a Fed wary of providing master accounts typically reserved for banks to less intensely regulated institutions.

"Payments innovation moves fast, and the Federal Reserve needs to keep up," he said in opening remarks at a daylong payments conference hosted by the central bank.

Waller, who chairs the Fed's internal payments committee, detailed how these "skinny" master accounts might work, granting firms access to the Fed's payments infrastructure without accompanying services and backstops. For example, the account could be limited in size, not pay interest, and not allow for overdrafts. The accounts also may not have access to the Fed's discount window for emergency lending, but could receive streamlined reviews, he added.

"The payments landscape, as well as the types of providers, has evolved dramatically in recent years, and, accordingly, a new payments account could better reflect this new reality," said Waller.



US Fed to trim rates twice more this year; 2026 rate path very unclear

By Indradip Ghosh

October 21, 2025 8:20 AM CST Updated 32 mins ago

BENGALURU, Oct 21 (Reuters) - The Federal Reserve will lower its key interest rate by 25 basis points next week and again in December, according to a Reuters poll of economists who remain deeply divided on where rates will be by the end of next year.

A month ago, economists had expected just one more cut this year. But the new forecast follows a recent shift in expectations by Fed policymakers toward additional reductions.

Get a daily digest of breaking business news straight to your inbox with the Reuters Business newsletter. Sign up here. Caught between the dual risks of already-elevated inflation climbing higher due to tariffs and a further weakening of the labor market, the Fed appears to have prioritized the latter, prompting it to cut rates by 25 basis points last month for the first time since December.

All but two economists, 115 of 117, predicted the Fed would lower the interest rate again by a quarter point to 3.75%-4.00% on October 29. Two expected a 25 bps cut in October and a 50 bps cut in December.

That majority falls to 71% for another cut in December. The poll was conducted on October 15-21.

Financial market traders are more convinced, and have fully priced in two more reductions this year to interest rate futures contracts.

Many Federal Open Market Committee members, including Fed Chair Jerome Powell, have suggested they will keep focusing on the job market.

However, a government shutdown that so far has lasted three weeks has delayed key official data on employment as well as inflation, blurring the economic outlook.

"It would be fair to say approximately half of the current FOMC is more focused on the labor market and the other half on inflation risks," said Ryan Wang, U.S. economist at HSBC.

"The difficulty for the Fed is whether this job slowdown mainly reflects bigger labor demand versus labor supply. It's harder to be very precise about which factor is the bigger one, and that does have implications for how monetary policy should react to it."

Recent private-sector data indicate both layoffs and hiring are modest, suggesting no major change to the job market.

Poll medians predict the unemployment rate will average around the current 4.3% each year through 2027, largely unchanged from last month.

Inflation, which the Fed targets at 2% on the personal consumption expenditures measure, was expected to average above 2% each year through 2027, according to the latest poll.

Delayed official data due on October 24 are expected to show consumer inflation rose to 3.1% last month from 2.9% in August.

Economists were split seven ways on where rates would be by the end of next year, ranging between 2.25%-2.50% and 3.75%-4.00%. The increased uncertainty is partly as a result of speculation on who will be the next Fed chair after Powell's term ends in May.

A 76% majority of economists, 25 of 33, who answered a separate question said the bigger risk to Fed rate policy by the end of this cycle was that it would take rates too low.

President Donald Trump has been pressuring Powell to cut rates aggressively for months.

"The risk is we have more rate cuts next year," said Brett Ryan, senior U.S. economist at Deutsche Bank. "The risk of the Fed losing its independence is elevated relative to any prior administration."

Bloomberg

Lagarde Says Capital Markets Union Is Key for Energy Transition

Europe needs deeper capital markets to stem its response to climate change, according to European Central Bank President Christine Lagarde.

Financing needs for the region's green transition factoring in decarbonizing industry, transport and energy supply are estimated at 1.2 trillion (\$1.4 trillion) a year, she said in a speech in Oslo. While Europe has ample private savings, they're not channeled toward their best use.

"The missing link here is capital markets," said Lagarde, noting that debt and equity financing rank lowest among firms' expected funding sources for green projects. "Deepening and integrating EU capital markets is critical to support the large-scale investments we need."



ECB's Lane flags dollar risk for banks amid tariff turmoil

By Reuters

October 21, 2025 3:11 AM CST Updated 5 hours ago

FRANKFURT, Oct 21 (Reuters) - Euro zone banks may come under pressure if U.S. dollar funding - the lifeblood of financial markets - were to dry up, the European Central Bank's chief economist Philip Lane said on Tuesday amid concern over U.S. President Donald Trump's policies.

Dollar funding fears have been at the back of central bankers' minds since Trump announced a wave of trade tariffs and began putting pressure on the Federal Reserve earlier this year.

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Lane said euro zone banks had navigated the turmoil well but could still find themselves in a tight spot given their significant exposure to the dollar, which accounted for anywhere between 7% and 28% of all their liabilities and 10% of assets in the second quarter of the year.

Any sudden changes in these net exposures could not be ruled out and could potentially limit banks' lending to the economy, he said.

"An increased probability of such a risk event would then generate pressures on both sides of banks' balance sheets and potentially downward pressure on on-balance sheet exposures like loans to the real economy," Lane added.

European banks typically borrow dollars from U.S. banks and other financial institutions. This makes this form of funding less reliable in a crisis than deposits, which tend to move more slowly.

ECB supervisors have been telling banks to watch their dollar exposures and reduce any mismatch between their assets, such as loans, and liabilities - each bank's own borrowing.

Central bankers from outside the United States have even toyed with the idea of pooling their dollar reserves to backstop banks in case the Fed were to withdraw its emergency swap lines.

But any such cooperation, as well as being politically difficult, was unlikely to suffice given the multi-trillion-dollar size of the international market for loans denominated in the U.S. currency.

In a bid to avert a dollar squeeze, the Federal Reserve has kept swap lines with other central banks since the last financial crisis. These facilities essentially let commercial lenders outside the U.S. borrow dollars from their own central banks when they cannot source them on the market.

'The yen has slid after Sanae Takaichi became Japan's first female Prime Minister, but will she stop the Bank of Japan raising rates?

Lane noted that euro zone banks had built up their cash buffers in U.S. dollars, with their liquidity coverage ratio, or LCR, rising from some 85% at the end of 2021 to well above 110% now. A ratio above 100% indicates that a bank has enough high-quality, easily sellable assets to cover total net cash outflows over a 30-day stress period.

This allowed them to withstand pressure during the market gyrations in April, for example, when U.S. Treasuries sold off at the same time as the dollar weakening, depriving banks of their usual hedge against any losses.

"Since the euro area banking system has made progress in increasing their USD LCRs in recent years...it did not experience sizeable liquidity strains even at the height of the exchange rate volatility in early April, though the episode may have altered the algebra of liquidity management for the remainder of the year," Lane said.

Bank of England chief warns of ‘worrying echoes’ of 2008 financial crisis

Heather Stewart and Graeme Wearden

Tue 21 Oct 2025 14.46 BST

The governor of the Bank of England, Andrew Bailey, has warned recent events in US private credit markets have worrying echoes of the sub-prime mortgage crisis that kicked off the global financial crash of 2008.

Appearing before a House of Lords committee, the governor said it was important to have the “drains up” and analyse the collapse of two leveraged US firms, First Brands and Tricolor, in case they were not isolated events but “the canary in the coalmine”.

“Are they telling us something more fundamental about the private finance, private asset, private credit, private equity sector, or are they telling us that in any of these worlds there will be idiosyncratic cases that go wrong?” he asked.

“I think that is still a very open question; it’s an open question in the US.”

He added: “I don’t want to sound too foreboding, but the added reason this question is important is if you go back to before the financial crisis when we were having this debate about sub-prime mortgages in the US, people were telling us: ‘No it’s too small to be systemic; it’s idiosyncratic.’ That was the wrong call.”

When a mortgage-lending frenzy ended in a housing market bust in the US from summer 2007, it kicked off a wave of financial turmoil.

Banks on both sides of the Atlantic had made high-risk bets on billions of pounds’ worth of US home loans, often funding the spree with short-term borrowing.

The resulting crisis, which rolled on for many months, eventually led to a deep recession and a string of costly bank bailouts in the US and Europe, including of RBS and Lloyds in the UK.

Bailey said the complex nature of some of the financial engineering now in use in the private credit markets had echoes of that period.

“We certainly are beginning to see, for instance what used to be called slicing and dicing and tranching of loan structures going on, and if you were involved before the financial crisis and during it, alarm bells start going off at that point,” he told peers.

“That stuff was a feature of the financial crisis, so that’s another reason why we’ve got to use these cases as another reason to have more drains up, frankly.”

He also made clear he was not reassured by the relaxed attitude of some in the sector.

“I sat in a session with people from the private equity and private credit world some months ago who of course told me everything was fine in their world, apart from the role of the ratings agencies, and I said: ‘We’re not playing that movie again are we?’”

The lax approach of ratings agencies – sometimes relying on banks’ internal models to determine how risky their own products were – was an important aspect of the 2007-08 crash.

The deputy Bank governor Sarah Breeden, appearing alongside Bailey, said the Bank would be carrying out a war game exercise in private credit markets, to test the linkages between private credit and other sectors.

She underlined some of the concerns about the private credit sector. “It’s about high leverage, it’s about opacity, it’s about complexity and it’s about weak underwriting standards.

“Those are things that we were talking about in the abstract as a source of vulnerability in this bit of the financial system, and those appear to have been at play in the context of these two defaults.”

The collapse of the car parts firm First Brands and the auto lender Tricolor prompted concern on Wall Street, with the JP Morgan chief executive, Jamie Dimon, comparing them to “cockroaches”, and saying that more could emerge.

“My antenna goes up when things like that happen. I probably shouldn’t say this but when you see one cockroach, there’s probably more. And so everyone should be forewarned at this point,” Dimon said.

The International Monetary Fund’s global financial stability review last week highlighted concerns about the close connections between private credit markets and mainstream banks – and the IMF’s managing director, Kristalina Georgieva, said it was the issue that kept her awake at night.



Bank of England's Bailey says First Brands, Tricolor collapses may herald worse to come

By William Schomberg and David Milliken

October 21, 2025 5:52 AM CST Updated 3 hours ago

LONDON, Oct 21 (Reuters) - The recent collapses of U.S. car parts maker First Brands and auto dealership Tricolor may be a warning of much bigger financial problems to come and the Bank of England plans a more detailed probe, Governor Andrew Bailey said on Tuesday.

Bailey told lawmakers that there were parallels with the early stages of the global financial crisis and that the central bank planned to run a "stress test" with the private equity and credit industry.

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"Are these cases idiosyncratic or are they what are called 'the canary in the coal mine'? In other words are they telling us something more fundamental...? I think that is still a very open question," Bailey told the House of Lords' Financial Services Regulation Committee.

Bailey said the BoE planned to conduct a "system-wide exploratory scenario" with banks, insurers, private equity companies and other non-bank lenders.

BoE Deputy Governor Sarah Breeden said the BoE expected to make a more detailed announcement before the end of the year and complete the exercise in nine to 12 months.

"We can see the vulnerabilities here, the opacity, the leverage, the weak underwriting standards, the interconnections. We can see parallels with the global financial crisis. What we don't know is how macro-significant those issues are," she told the parliament committee.

The exercise would be voluntary, as the central bank does not directly regulate many of the firms involved.

Shares of some U.S. banks have fallen in recent weeks due to exposure to the bankruptcies of First Brands and Tricolor, which relied heavily on private finance.

The House of Lords committee is looking at the growth since 2008 of so-called private markets - finance provided to large businesses outside of normal bank lending or issuing publicly traded shares or bonds.

Bailey said he was concerned about potential conflicts of interest from private finance companies buying life insurers which then bought assets owned by the private finance companies.

Bloomberg

BOJ Is Said to Be Closer to Rate Hike With Little Need to Rush

By Toru Fujioka and Sumio Ito

October 20, 2025 at 11:06 PM CST

Updated on October 21, 2025 at 12:38 AM CST

Bank of Japan officials are of the view there's no urgency to hike the benchmark rate next week even as the economy is making progress toward achieving their price target, according to people familiar with the matter.

The officials see the likelihood has continued to rise gradually for their outlook to be achieved as the economy and inflation develop more or less in line with their expectations, according to the people.

While they see conditions coming together for a rate hike as soon as December, there has so far been no conclusive factor that would convince them to raise the benchmark rate when they next set policy on Oct. 30, the people said.

In any case, the authorities will make a final decision next week only after scouring economic data and other factors until the last minute. These would include developments in financial markets, as the yen is more likely to affect inflation these days versus the past, the people said.

The yen weakened following this report as prospects for the BOJ to help narrow the rate differential between Japan and the US receded for now. Japan's currency initially weakened to 151.44 per dollar from 151.10, and has since continued to drift lower.

So far the impact of US tariffs hasn't manifested much in data. For that reason, the officials judge that it's still fair to say uncertainty remains high over developments in the US economy and their effects on Japan's economy, according to the people. The recent rekindling of the US-China tariff dispute also warrants close attention, the people said.

The meeting comes a month after two board members proposed a rate hike at the September meeting, and the nine-member board is likely to continue to discuss the right timing for action at this gathering, the people said.

This will be the first BOJ meeting after Sanae Takaichi won a parliamentary vote Tuesday to become the nation's new Prime Minister. Takaichi is known as an advocate of monetary and fiscal easing, and her rising prospects to become premier reduced market expectations for a rate hike at next week's meeting.

BOJ officials said that the bank will continue to work closely with the government while, at the same time, its decision will hinge squarely on how it assesses its progress in achieving its price stability target, according to the people. Some officials noted it may be possible to decide on a rate hike with just an initial assessment of the economic and fiscal policies likely to be undertaken by the new government, the people said.

Traders see about a 9% chance of a rate hike this month, down from around 25% earlier Tuesday and far below the roughly 70% chance seen at the end of last month. The odds jumped to around 50% for the December meeting following this report, according to pricing in the overnight swaps index.

Many BOJ watchers see that the central bank wouldn't want to move too soon after Takaichi takes the helm to avoid repeating a past history of clashes with the government over rate hikes. Takaichi's economic adviser Etsuro Honda has said October would be too early for a hike although he sees little problem with proceeding in December.

In his last scheduled public speech before the decision, Governor Kazuo Ueda appeared to be avoiding sparking a resurgence of speculation by merely reiterating the central bank's policy stance. That contrasts with when he clearly hinted at a looming change ahead of the January rate hike.

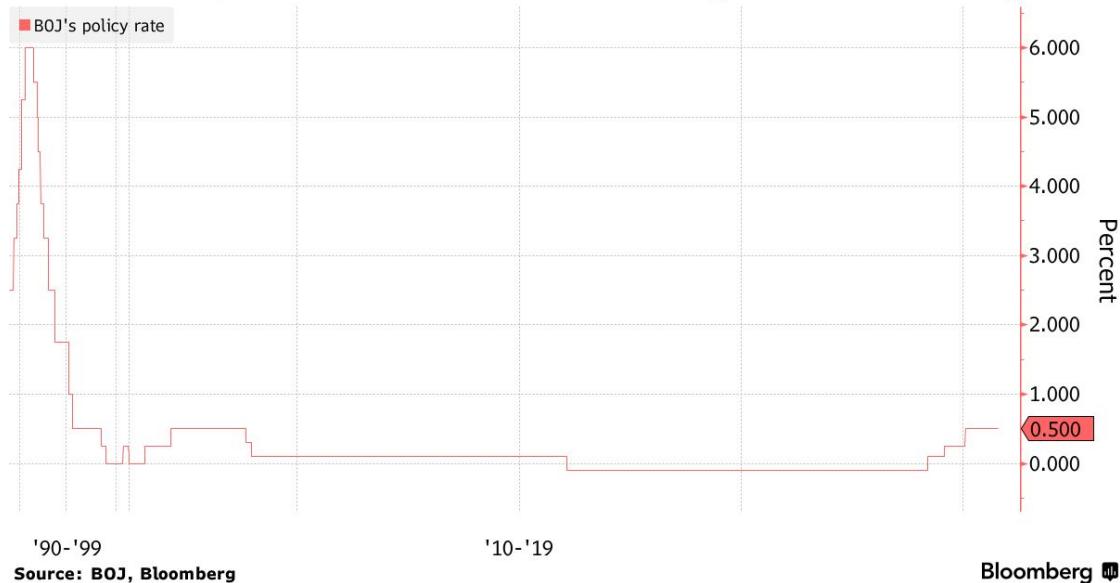
A quarterly economic outlook that will be released in tandem with this month's policy statement isn't likely to reflect any major changes in the board's assessment of the economy.

Some officials see that it would be appropriate to make a minor upward revision to the bank's economic growth forecast for this fiscal year after GDP figures for the second quarter came in stronger than expected.

The BOJ projected a 0.6% economic expansion for this fiscal year three months ago, a tad below private economists' median estimate of 0.8%, according to a Bloomberg survey.

The bank's inflation forecast won't be dramatically revised, but a recent plunge in oil prices may create scope for a tweak if board members believe the move will be sustained, the people said.

BOJ Has Kept Benchmark Rates Unchanged Since January





U.S. official made clear that decision on tariffs is Trump's, Colombia says

By Reuters

October 21, 2025 6:57 AM CST Updated 1 hour ago

BOGOTA, Oct 21 (Reuters) - A meeting on Monday night between Colombia President Gustavo Petro, U.S. charge d'affaires John McNamara and Colombia's recalled ambassador to the U.S. Daniel Garcia-Pena was a first step toward healing a bilateral impasse, Colombia's foreign ministry said early on Tuesday.

However, McNamara made clear that whether the U.S. imposes higher tariffs on Colombia, as threatened by President Donald Trump over the weekend, is Trump's exclusive decision, the ministry added in a statement.

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Colombia recalled Garcia-Pena from Washington after U.S. Trump said he would raise tariffs on the South American nation and stop all payments to it, intensifying a feud stemming from U.S. military strikes on vessels allegedly transporting drugs.

Trump also called leftist Petro an "illegal drug leader" on Sunday, which Petro's government described as offensive, marking a new low in fraught relations between Bogota and Washington.

Petro has objected to the U.S. military's strikes against vessels in the Caribbean, which have killed dozens of people and inflamed tensions in the region. Many legal experts and human rights activists have also condemned the military actions. It is desirable for the two countries to continue to coordinate in the fight against illegal drugs, the foreign ministry statement added, and Petro reiterated Colombia's commitment to expanding substitution programs for illegal crops like coca during the "long, frank and constructive" meeting.

However, the U.S. must base its decisions on accurate figures for coca-growing and cocaine production, the ministry added, reiterating comments by Petro that previous measurements contained errors which have now been recognized by the United Nations.

"The current government has seized more than any other, not just in volume, but in relation to coca crop growth," the statement said, adding the coca crop grew just 3% in 2024.

Marco Rubio Is Leading Trump's Pressure Campaign Against Venezuela

By Lara Seligman, Vera Bergengruen and Kejal Vyas
Oct. 20, 2025 10:00 pm ET

For more than a decade in the Senate, Marco Rubio sought the ouster of Venezuela's autocratic leader, Nicolás Maduro. Now as President Trump's national security adviser, Rubio is finally getting his chance to squeeze the strongman.

Rubio has been the top official executing an aggressive Trump administration campaign that began as a counternarcotics operation but has expanded into a broad effort to use sanctions and the threat of military force to pressure Maduro, according to people with knowledge of the discussions. While Trump's primary aim is to stop the flow of drugs into the U.S., the hope is that the pressure campaign will also convince Maduro he can no longer remain in power, U.S. officials said.

In recent months, Rubio, the son of Cuban immigrants who served as the Republican senator from Florida from 2011 to 2025, has been quietly discussing a more aggressive stance on the Maduro regime with other senior administration officials, the people said. Trump has long been critical of Maduro and has tasked Rubio, along with White House deputy chief of staff Stephen Miller, chief of staff Susie Wiles and Attorney General Pamela Bondi with implementing the pressure campaign, said one senior administration official.

He has taken an unusually domestic focus for a secretary of state: striking deportation deals, revoking visas on ideological grounds and encouraging the use of lethal force against "narco-terrorists" he accuses of waging war against Americans. "The President is the one who drives and determines our foreign policy," said State Department spokesman Tommy Pigott. "It is the job of the cabinet to implement. Secretary Rubio is honored to be a part of the President's team."

The U.S. has ramped up lethal strikes on alleged drug smugglers in the Caribbean over recent weeks and has deployed nuclear-capable B-52 bombers just off Venezuela's shores. The bombers are conducting training flights as part of a continuing exercise but are also collecting intelligence and serve as a show of force, according to another U.S. official.

The pressure campaign against Maduro is at the center of a "Venn diagram of interest" among Trump's top lieutenants, one of the people said. Wiles and Bondi are from Florida, where anti-Maduro sentiment is strong among Republicans. In August, Bondi doubled the U.S.'s bounty on Maduro to \$50 million, accusing him of working with criminal organizations such as Tren de Aragua and the Sinaloa Cartel.

"Nicolás Maduro is a narco-terrorist and fugitive from American justice who has deputized terrorist organizations to stay in power. His reign will not last forever," Bondi said through a spokesman.

Miller is also an integral player in the discussions, the people said. For Miller, the campaign is a way to halt the flow of drugs into the U.S. and potentially enable the deportation of more immigrants who are living in the country illegally, according to one person.

Trump, who also tried to oust Maduro during his first administration, sees the more aggressive campaign as a foreign-policy win that could be an economic boon for the U.S. given Venezuela's vast reserves of oil and other natural resources. He also sees Maduro's removal as a domestic-policy win, as it would result in fewer drugs coming into the U.S., fewer drug-related deaths and safer communities, the senior administration official said.

The campaign has a heavy military element. The Pentagon has moved eight Navy warships, an attack submarine, F-35B jet fighters, P-8 Poseidon spy planes and MQ-9 Reaper drones into the region. In recent weeks, the department also deployed the elite special operations forces, including the Army's secretive 160th Special Operations Aviation Regiment, the "Night Stalkers," near Venezuela's shores for training.

In response to the U.S. military buildup, Venezuela is moving troops into position and mobilizing its militia.

"From the secretary of state's perspective, it's extremely smart because if his objective is ultimately continuing to pressure Maduro, justifying it in a way that the MAGA base can understand, is incredibly important," said Ryan Berg, director of the Americas program at the Center for Strategic and International Studies.

Rubio has framed the pressure campaign as "tantamount to defending the homeland, because [Maduro] is such a cancer in the Western Hemisphere," Berg said.

In his unusual double role as Trump's top diplomat and national security adviser, Rubio has been able to execute quickly on policies he has been advocating for over a decade. After years in the procedural grind of Capitol Hill, he has found the authority to move quickly "freeing," said a senior adviser.

But he has also been laying the groundwork for an escalating pressure campaign on Maduro since he arrived at the State Department in January. His inaugural trip was a five-country spin through Central America and the Caribbean, an unusual region for America's top diplomat. Behind closed doors, he often spoke to foreign officials in Spanish and made it clear that the Trump administration would reward allies in the region if they aligned with the U.S.

"One of my priorities is to ensure that U.S. foreign policy sends a signal that it's better to be a friend than an enemy," he said during a stop in Costa Rica in February where he called Venezuela, Cuba and Nicaragua "enemies of humanity."

"It's better to be an ally than a troublemaker," he said.

In the first months of his term, Rubio tangled with Trump's special envoy Ric Grenell, who led direct talks with Maduro and advocated for a pragmatic deal that would reopen the country's oil and mineral sector to U.S. companies in exchange for the release of political prisoners and economic reforms. Many policymakers and American investors had been betting

on engagement and negotiations between Maduro and Trump, who in his first administration had led a failed effort to topple the regime in Caracas.

When Grenell visited Maduro in January and secured a deal to free American hostages and restart deportations of Venezuelans, many in the pro-rapprochement crowd thought the U.S. would soften its position on the regime.

But by mid-July, Grenell had been sidelined and Venezuela policy was firmly in the hands of Rubio, whose team that month led a swap of 252 Venezuelans held in El Salvador for 10 Americans held in Caracas. Soon after, the U.S. ratcheted up its allegations that Maduro is leading a drug cartel and followed up with a military buildup in the Caribbean to target suspected narco vessels.

Rubio allies and fellow hard-liners on Venezuela have cheered the escalation.

"President Trump trusts him because he knows Rubio truly understands the cancer of socialism and the need to eradicate it," said Rep. Maria Salazar (R., Fla.).

For his part, Maduro has accused Rubio of engineering the pressure campaign, calling him the "lord of war."

"President Donald Trump, you must be careful because Marco Rubio wants to stain your hands with blood," he said last month.



Canada's inflation rate rises in September on smaller drop in gasoline prices

By Promit Mukherjee

October 21, 2025 8:38 AM CST Updated 15 mins ago

OTTAWA, Oct 21 (Reuters) - Canada's annual inflation rate increased to 2.4% in September, mainly led by a smaller decline in gasoline prices on a yearly basis when compared with the previous month and a rise in food prices, data showed on Tuesday.

The report is the most crucial piece of data to be released before the Bank of Canada meets for its next monetary policy decision later this month, when analysts and investors expect the bank to cut rates for a second time in a row.

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Analysts polled by Reuters had forecast annual inflation would rise to 2.3% in September from 1.9% in August.

The CPI rose 0.1% on a month-over-month basis in September, after a 0.1% decline in August, StatsCan said.

Gasoline prices have been on a declining trend on an annual basis after the Canadian government scrapped a carbon levy on the fuel that had kept prices up all of last year.

However, the decline in September was less than in August mainly due to a big fall in gasoline prices in September 2024, when the price of the fuel dropped 7.1% on a dour global economic outlook.

Excluding gasoline, the CPI rose 2.6% in September following a 2.4% acceleration in August.

Economists have focused on the BoC's preferred core measures of inflation, which exclude the impact of tax measures, to gauge price trends.

One of the core measures of inflation, the CPI-median, or the centermost component of the CPI basket, was at 3.2% in September, unchanged from the upwardly revised number last month on an annual basis.

The other core measure, CPI-trim, which excludes the most extreme price changes, edged up to 3.1% in September from 3.0% in August, StatsCan said.

The share of the CPI basket that was above a 3% price rise was 37.9% in last month and the share of the CPI basket that was below a 1% rise was 38.5%.

"While there might be scope for debate about inflation, there should be no disagreement that the economy is weak and in need of support," said Royce Mendes, managing director and head of macro strategy at Desjardins.

Money markets put a more than 86% probability on a 25-basis-point rate cut on October 29, which would bring the benchmark policy rate down to 2.25%.

The Canadian dollar was trading up 0.12% to 1.4018 against the U.S. dollar, or 71.34 U.S. cents.

Food prices increased 3.8% annually last month, after a 3.4% increase in August. This rise was mainly due to a 4% increase in food purchased from stores, against a 3.5% increase seen in the previous month.

The increase in grocery prices last month marks the largest year-over-year rise since the most recent low in April 2024, the statistics agency said.

Rents also contributed to a year-over-year increase in CPI, with a 4.8% jump in September. That move took shelter inflation, the biggest component of the CPI basket, to 2.6%.



Carney cautious about report of potential Canadian trade deal with US

By Reuters

October 21, 2025 8:31 AM CST Updated 21 mins ago

OTTAWA, Oct 21 (Reuters) - Canadian Prime Minister Mark Carney on Tuesday expressed caution after a newspaper reported he might soon sign a trade deal on steel and aluminum with the U.S., saying "I wouldn't overplay it."

The Globe and Mail, citing sources familiar with the matter, said the agreement could be ready for Carney and U.S. President Donald Trump to sign at the Asia-Pacific Economic Cooperation summit later this month in South Korea.

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Trump imposed tariffs on Canadian steel, aluminum and autos earlier this year, prompting Ottawa to respond in kind.

The two sides have been in talks for weeks on a potential steel and aluminum deal.

"We'll see. We are in ongoing discussions with the Americans, and I wouldn't overplay it," Carney told reporters in Ottawa when pressed about the report, adding that he planned to meet Trump in South Korea.

The White House and U.S. Commerce Department did not respond to requests for comment outside regular business hours.

The U.S. is not ready to make any deal on Canadian automobiles or on softwood lumber, a sector which has been targeted by Washington for decades.

Canada will probably have to accept quotas on steel in exchange for a lower U.S. tariff, with critical minerals off the table in these talks, sources told the Globe and Mail.

Reuters reported earlier this week that Canada offered tariff relief on some steel and aluminum products imported from the U.S. and China, in efforts to help domestic businesses battered by a trade war on two fronts.

Carney visited Washington earlier this month and said he had "a meeting of minds" with Trump on the future of the steel and aluminum sectors.

Why is inflation so high in the UK?

By Reuters

October 21, 2023 5:44 AM CST Updated 5 hours ago

LONDON, Oct 21 (Reuters) - Britain's inflation rate looks set to hit 4% in September in data due for release on Wednesday, the highest among the world's big rich economies and double the Bank of England's target.

The fast pace of price growth - while a lot lower than a peak of 11.1% in 2022 following Russia's invasion of Ukraine - puts a strain on households and means borrowing costs are likely to stay higher than in other countries, at least in the short term.

It also adds to the challenge for finance minister Rachel Reeves who has promised voters that she will ease cost-of-living pressures and speed economic growth but is likely to raise taxes in her budget next month, potentially adding to inflation.

Below is an explanation of Britain's price growth problem.

WHY IS UK INFLATION SO HIGH?

Britain's inflation rate was 3.8% in August, much higher than the euro zone's 2.0%.

A driver of British prices has been fast wage growth due in part to a worker shortage since the COVID-19 pandemic and increases to the minimum wage and employer taxes.

Like in other countries, energy and food prices rose earlier this year. Energy prices had exerted significant downward pressure on inflation in late 2023 and 2024.

WHAT ELSE IS DRIVING UK INFLATION?

Government-influenced prices are another factor. Higher sewerage charges, bus fares and vehicle excise duty and the introduction of value added tax on private school fees mean so-called administered prices in Britain have risen more sharply than in the euro zone.

Jack Meaning, chief UK economist at Barclays, estimated Britain's inflation rate in August would have been around 2.9 excluding the impact of tax increases in Reeves' budget last year and of administered prices.

While the BoE expects regulated electricity and gas prices to stop driving inflation in the coming months, food prices are likely to rise further.

Food retailers blame the increase in prices to date on a new packaging tax as well as the hike in employers' social security contributions and the minimum wage and global prices. The BoE fears higher food prices drive up inflation expectations which can lead to price pressures becoming embedded in the economy.

On the coast of Chile, drought is causing a shortage of water which heavily impacts agriculture.

WHY DOES IT MATTER?

British households - excluding pensioners - have seen very little growth in their living standards since 2010, when taking inflation into account.

Wage growth is running not far above inflation and is slowing, limiting any recovery in spending power.

High inflation also adds to the government's debt bill - Britain has a bigger proportion of its bonds indexed to inflation than other countries, putting further strain on the budget at a time when other spending demands are rising too.

High inflation can slow long-term economic growth if it makes households want to save more to withstand future price shocks and deters businesses from developing longer-term plans.

WHAT'S LIKELY TO HAPPEN?

The BoE has forecast that consumer price inflation will peak in September but will only return to its 2% target in the April-to-June period of 2027.

Governor Andrew Bailey and his colleagues say the outlook for inflation is still unclear, making it hard to predict when interest rates are likely to be cut again.

UK office, shop and warehouse construction plunges to 11-year low as costs soar

Julia Kollewe

Tue 21 Oct 2025 14.57 BST

Construction of offices, shops and warehouses in the UK has fallen to the lowest level in more than a decade amid rising build costs and general uncertainty.

All commercial sectors have been hit, with construction across office, retail and industrial sectors down by 21% to 5.85m sq metres (63m sq ft) in the third quarter compared with a year earlier, according to the latest data from CoStar.

This is the lowest commercial construction since 2014 and comes as housebuilding is also slowing, in a blow to the Labour government, which last year announced an ambitious target of building 1.5m new homes over five years.

This year is on course to be the weakest for construction starts so far this century, amid high construction costs caused by skill shortages and rising raw material prices, and high vacancy rates, according to the report from the property information company.

Construction has also been hit by rising interest rates since Russia's invasion of Ukraine in 2022 and falling values of commercial buildings. Despite a series of cuts from the Bank of England over the past year, interest rates remain higher than in the post-financial crisis years when borrowing costs were very low and returns on property higher.

Investment in offices fell in the third quarter amid uncertainty around pricing, volatile geopolitics and the economy, and as high bond yields reduced the appeal of the market, CoStar said. However, there are a number of big transactions under offer in London, suggesting a rebound in the fourth quarter.

In better news for the property sector, office take-up in the UK has increased to its joint highest level since the pandemic began in 2020. It rose by 24% year on year in the third quarter to about 1m sq metres (11m sq ft), as many companies ordered their staff back to in-person working.

This was led by London, while outside the capital demand for commercial workspaces continues to drop. Office take-up in the capital jumped by 34% year on year to the highest level in seven years, supported by some big lettings over the summer. New York has seen a similarly strong uptick.

This mirrors trends in the US, where return-to-office mandates drove lettings up by 22% to their highest level since the second quarter of 2019.

The vacancy rate at UK offices has stabilised at 8.8%, but is still the highest in 13 years, and nearly double the 4.5% when the pandemic struck.

In London, the vacancy rate dipped to 10.7% from 10.9% at the end of 2024, but remains above the national average.

In the warehouse sector, the vacancy rate has more than doubled to 5.5%, from 2.5% in mid-2022. The online shopping boom during the pandemic boosted demand for warehouses but it has cooled since. A further 557,000 sq metres of warehouse completions outpaced stagnant demand in the third quarter.



UK borrowing overshoot keeps the heat on Reeves as budget looms

By William Schomberg

October 21, 2025 12:58 AM CST Updated 5 hours ago

LONDON, Oct 21 (Reuters) - Britain's borrowing in the first half of the financial year was the highest on record except during the height of the coronavirus pandemic, keeping up the pressure on finance minister Rachel Reeves as she prepares next month's key budget.

The overshoot in the April to September period ran above official forecasts, although Reeves was able to take a crumb of comfort from a cut to the overshoot in recent months.

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Government borrowing in the first six months of the tax year totalled 99.8 billion pounds (\$133.94 billion), up 13% from a year earlier and 7.2 billion pounds more than forecast by Britain's budget watchdog.

In September alone, the government borrowed 20.2 billion pounds, pushed up by the costs of debt interest and providing public services which more than offset a rise in tax receipts including Reeves' from the social security hike for employers.

The September shortfall was only slightly above the projection from the Office for Budget Responsibility whose forecasts underpin government budgets. It was lower than a median forecast of a 20.8 billion pound deficit in a Reuters poll of economists.

The borrowing in the first six months of the year was the second highest for the period since records began in 1993 and was only bigger in 2020 at the height of the COVID-19 pandemic.

However, the Office for National Statistics revised down government borrowing in the first five months of the financial year by 4.2 billion pounds, around half of which it had previously announced.

Reeves has said she is looking at tax increases and spending cuts in her budget on November 26 to show investors that she can remain on track to meet her fiscal rules.

"The chancellor faces an increasingly difficult balancing act ahead of the autumn budget, with her fiscal headroom all but exhausted by a mix of weaker growth prospects, higher borrowing costs and rising spending pressures," Nabil Taleb, economist at PwC UK, said.

Reeves wants to balance day-to-day spending with tax revenues by the end of the decade. Tuesday's data showed the current budget was 71.8 billion pounds in deficit in the April-to-September period, 17% higher than a year earlier.

Reeves said last week she would like a bigger fiscal buffer for meeting her targets than the 9.9 billion pounds of headroom that she previously gave herself, but creating one would involve tough trade-offs on tax and spending.

Sterling was little changed against the U.S. dollar and the euro after the borrowing figures were released.

Reeves says economic damage caused by Brexit forcing her to take action in budget

Richard Partington Senior economics correspondent

Tue 21 Oct 2025 14.26

Rachel Reeves has blamed a heavier than anticipated blow from Brexit and austerity for forcing her to take action to balance the books at next month's autumn budget.

Speaking to business leaders in Birmingham for the government's first regional investment summit, the chancellor said leaving the EU had caused more damage than official forecasters had expected.

Hinting that she was braced for sharply downgraded growth forecasts from the Treasury's independent watchdog, the Office for Budget Responsibility (OBR), Reeves said action was needed.

"We know the OBR – I think are going to be pretty frank about this – [will say] that things like austerity, the cuts to capital spending, and Brexit have had a bigger impact on our economy than was even projected back then."

"That is why we are unashamedly rebuilding our relations with the EU to reduce some of those costs that in my view were needlessly added to businesses since 2016 and since we formally left a few years ago."

Reeves is widely expected to announce a package of tax increases and cuts to spending at the budget on 26 November. She is facing a shortfall against her self-imposed fiscal rules that require day-to-day spending to be balanced by revenues within five-year's time.

The Treasury watchdog is believed to be preparing to sharply downgrade its forecasts for the productivity growth of the British economy, alongside taking into account rising borrowing costs and the financial cost of Labour's high-stakes welfare U-turns.

In comments to 350 business leaders, regional mayors and investors gathered at Edgbaston cricket ground on Tuesday, the chancellor acknowledged she was facing a "tricky" budget and would need to take steps to balance the books.

Reeves has mountain to climb in budget after borrowing rise

Heather Stewart

Tue 21 Oct 2025 08.32 BST

Rachel Reeves has already seen the most significant numbers setting the backdrop for next month's budget – the Office for Budget Responsibility's (OBR) forecasts for five years' time, when her fiscal rules are judged.

But September's public finances data, published on Tuesday, will hardly have lightened the mood in No 11 as she draws up plans for tax rises and spending cuts.

Even before the impact of the U-turns on winter fuel payments and disability benefits hits, the Office for National Statistics (ONS) found that the deficit in the first six months of the fiscal year was £7.2bn higher than the OBR predicted at its last forecast in March, at £99.8bn.

The size of the overshoot does seem to be narrowing, however, with September's deficit only £100m adrift of the OBR's expectations.

Higher than expected inflation and wage growth should be helping to increase income tax receipts, as more workers are dragged into higher tax bands – though the flipside is higher than expected payments on inflation-linked government bonds.

There was some moderately helpful news in the detail of the data, too. The ONS had already pointed out that an error in VAT estimates had put its estimates for the deficit off course by £2bn for the year so far.

Because of this and a higher estimate for other tax receipts – only partly offset by higher than expected spending – it now believes public sector net borrowing was £4.2bn lower than previously thought.

This first year of Labour's own spending plans, set out at the chancellor's first budget, was always meant to be a generous one – she promised a significant uplift in spending on crumbling public services.

However, while there were no shocks in this latest snapshot, it does show the mountain Reeves has to climb, to meet her first fiscal rule of balancing day-to-day spending with tax receipts at the end of the forecast period.

The ONS said that the current budget deficit – the key measure for this rule – was running at £71.8bn for the year so far – £10.6bn, or 17.2% more than in the equivalent six-month period last year.

Public sector net borrowing, excluding public sector banks, was £20.2bn in September alone – £1.6bn more than the same month in 2024, and the highest September borrowing since the pandemic.

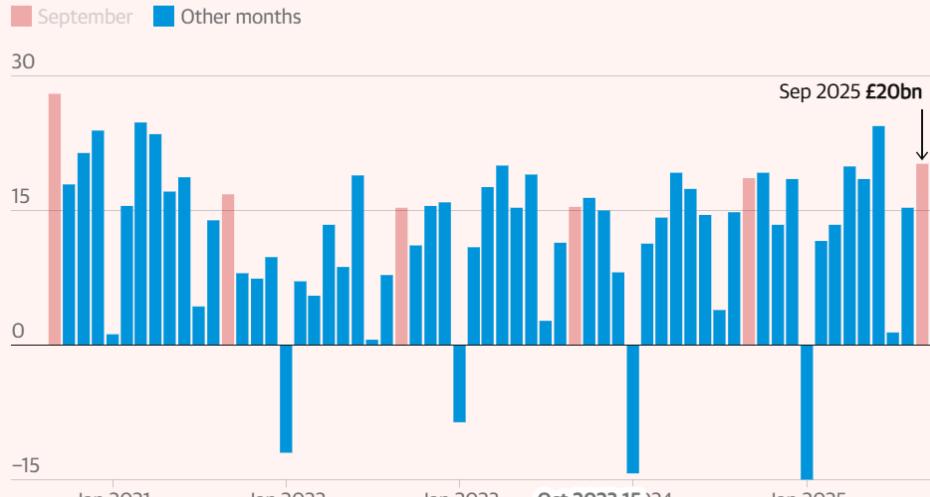
The consolidation in the public finances was always meant to come later in the parliament, according to Reeves's plans set out at last year's budget.

The Treasury was keen to point out the International Monetary Fund's verdict that the UK is planning the largest primary deficit reduction in either the G7 or the G20 over the next five years.

But that leaves all the hard work yet to come, and the politics of either hefty tax increases, or reining in the growth rate of spending in cash-starved Whitehall departments, will be hard to make stick, for an already unpopular government.

UK borrowing was the highest in any September in five years

Public sector net borrowing excluding public sector banks, £bn



Guardian graphic. Source: ONS



Brazil to decide on 2026 budget fix on Tuesday, says finance minister

By Reuters

October 21, 2025 8:13 AM CST Updated 39 mins ago

BRASILIA, Oct 21 (Reuters) - Brazil's government expects to decide on Tuesday how to address a shortfall in its 2026 budget after a key revenue-raising measure expired without congressional approval, Finance Minister Fernando Haddad said.

The Finance Ministry and the office of the chief of staff are reviewing alternatives discussed with congressional leaders, Haddad told reporters as he arrived at the ministry.

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"By early afternoon we should have a decision on what to do," he said.

The fiscal gap emerged after Congress let an executive order lapse without a vote.

The proposal aimed to help the government meet its 2026 primary surplus target of 0.25% of gross domestic product by overhauling investment taxation, raising levies on fintechs and online betting firms, and capping the use of tax credits by companies.

It also included tighter controls on the granting of certain social benefits. The government had estimated the measure would generate 14.8 billion reais in fiscal gains this year and 36.2 billion reais (\$6.70 billion) in 2026.

But with many lawmakers resisting further tax hikes under leftist President Luiz Inacio Lula da Silva, the measure expired before being considered.

Amid the impasse, the government this week asked Congress to again delay a vote on the 2026 budget bill, which sets next year's fiscal target and was submitted in April. Lawmakers typically approve the bill by July.

"The executive measure that lapsed contained important provisions related to both primary spending and tax expenditures, so we need to rebalance the budget," Haddad said.

He previously signaled that the government could resubmit parts of the proposal, including limits on tax credits and higher taxes on betting firms.



Argentina economic activity growth seen slowing to 2.5% in August

By Reuters

October 21, 2025 9:02 AM CST Updated 49 mins ago

BUENOS AIRES, Oct 21 (Reuters) - Argentina's economic activity growth likely slowed for a second consecutive month in August, a Reuters poll of analysts showed on Tuesday.

According to the median forecast from 15 analysts, activity expanded 2.5% year-on-year in the eighth month of the year, following increases of 6.1% in June and 2.9% in July, as reported by Argentina's INDEC statistics agency.

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The average forecast for growth in economic activity was 2.8%.

According to the Fundación Libertad y Progreso, a think tank, high interest rates and reserve requirements are hindering credit growth, affecting economic performance.

INDEC's Monthly Economic Activity Estimator (EMAE) is a closely-watched economic indicator in Argentina, providing a preview for broader economic growth trends.

Analysts' projections for August growth varied widely, from 1.2% to 5.5%. The economic outlook for coming months is uncertain, tied to legislative elections on October 26.

President Javier Milei's party hopes to gain more seats in Congress to be able to pursue market-friendly economic reforms.

"It is increasingly urgent to send the signal that the country will begin moving toward structural reforms so that the economy can grow in a sustained way," Fundación Libertad y Progreso said.

Advisory firm Orlando Ferreres & Asociados (OJF) highlighted increased uncertainty due to currency tensions and political setbacks for the government. The firm added that while U.S. support has temporarily eased market volatility, the economic trajectory now appears linked to the election results.

INDEC is scheduled to release official August EMAE data on Wednesday afternoon.

Bloomberg

Milei's Peso Moves Drive a Black-Market Boom That's Hitting Argentines Hard

By Patrick Gillespie

21 de octubre de 2025 at 7:00 a.m. GMT-6

Two years after voters in Salta overwhelmingly supported Javier Milei to become president of Argentina, a flailing economy dominated by black-market trade may be undermining his political support just when he needs it the most. Salta, a picturesque, boot-shaped province in Argentina's northwest, boasts vast reserves of lithium, copper, silver and gold. Vineyards in the Cafayate region, set against the Andes, are producing award-winning Malbecs and other sought-after varieties.

Milei first kept an iron grip on the peso with currency controls he inherited – and now routinely spends money to prop it up in local markets. As a result, "Salta the Beautiful" has seen a surge of untaxed and counterfeit imports from iPhones and tablets to washing machines and toilet paper flowing across the border from Bolivia and on to buyers in Buenos Aires and other cities across the country.

Salta "has long been a gateway for everything – drug trafficking, human trafficking, contraband," said Mauricio Loutaif, a third-generation store owner in the border city of Oran. "Contraband always existed around here, but in the last couple of years there's been an unprecedented amount."

In Bermejo, Bolivia, workers load boats with goods bound for Argentina, part of a steady flow of unofficial commerce spurred by high prices across the border.

Every day at sunrise, workers in Salta's lowland tropics confront punishing heat, ruthless mosquitoes and venomous snakes to take part in the chaotic border trade. Burnt molasses from sugar refineries and forest-fire smog sting the air as young men and women rush along narrow paths to sandy, trash-strewn river banks, where barges wait to ferry them to jobs that keep the low-priced merchandise flowing.

The boom is largely the result of Milei's efforts to keep tight control over the value of the peso while Bolivia's economic woes cause its currency to crater, creating a massive discount for consumers just across the river.

The effects of Milei's policies haven't been limited to informal trade in backwater border towns. Argentines flush with overvalued pesos are also packing malls in Chile, beaches in Rio de Janeiro and traveling to Miami and New York. The US Treasury Department stepped in to assist Milei this month, buying pesos and agreeing to \$20 billion lifeline as part of a larger package to help keep the currency steady.

Despite the stability the US has provided, Milei is in political danger. His coalition was trounced in local legislative elections in Buenos Aires in September, and his frustrated supporters fear a similar result in pivotal midterm elections set for Oct. 26.

For Milei's candidates, the consequences could be severe. President Donald Trump said last week at the White House that the assistance that Washington has given the country is contingent on Milei remaining in control.

"If he doesn't win," Trump said, "we're gone."

Salta is one of several interior provinces where Milei's governing coalition needs to make up the ground lost in Buenos Aires. In the country's most populous state, voters disillusioned by Milei's austerity campaign stayed home, leading to the province's lowest turnout for legislative elections in decades. Young voters who'd supported Milei two years ago didn't show up in force this time.

In Oran more than three dozen shops have closed this year because of competition from cheaper, illicit imports from Bolivia, and some surviving stores say their sales have fallen by nearly half.

Local employers are having a difficult time hanging on to workers who are giving up the security of a salary and benefits to perform back-breaking labor that can pay four times as much. Over the past decade, approximately a million more workers in Argentina have flowed into so-called informal jobs outside the economic mainstream, according to government data.

Stores in an indoor market selling electronics and goods in the border town of Bermejo..

In Bermejo, business is booming as goods bought there increasingly find their way onto Argentina's black market.

Raquel Avalos, a 41-year-old single mother of three, is one of those who has been drawn into the border trade.

A few times a week, Avalos drives from Oran to take a two-minute boat ride into Bolivia, where she finds the products her clients in Argentina want. She then hires mostly young women to haul packs weighing up to 50 kilograms, or 110 pounds, on their shoulders back into Argentina, where Avalos is waiting with her car.

Avalos estimates she's making 2.4 million pesos a month – or about \$1,600 – with her part-time schedule, double what a full-time retail worker in Oran can earn. She recently finished a home addition and gifted iPhones to her two oldest children.

"I feel better off," she said, adding she prefers to work off the books because the money is better. Avalos said she won't vote for Milei because she sees him out of touch with working Argentines enduring his austerity.

"If you have a salaried job, you have to do something else or you won't make it to the end of the month," she said "It's just a reality, you have to have two jobs."

Cheaper imports have also devoured the earnings of many of the farmers in Salta. Fernando Ortiz, who has a nearly 500-acre (about 200 hectares) farm near the border, said that he didn't bother harvesting half of his tomatoes and

eggplants in June. He said there was no point in picking fresh produce when a 20-kilogram box of tomatoes would sell for just 7,000 pesos – down from about 23,000 pesos a year earlier.

Ortiz, 52, voted for Milei two years ago and plans to cast his ballot for his party in the upcoming midterms, because he sees it as the best option for fixing Argentina's deep-rooted economic problems. But he saw Milei as overconfident when he scorned would-be allies and chose a go-it-alone campaign strategy.

"He sang victory before winning the game," said Ortiz, calling Milei aggressive and erratic. "He sits down with a friend and in 15 minutes, they're enemies."

With a steady stream of low-cost goods moving across the border into Argentina, Ortiz didn't bother harvesting half his tomatoes and eggplants.

Dotted with colonial Spanish architecture, Salta has been a trade outpost for centuries. But the volume and range of contraband pouring through the region of late is unlike anything in recent memory. And it has come in spite of Milei's efforts to limit illegal immigration and trade.

The Trump administration has taken note of the situation as the nations negotiate a trade agreement. A report by the US Trade Representative published in April found "stakeholders report widespread unfair competition from sellers of counterfeit or pirated goods and services." It called out a black market in Buenos Aires and said that "counterfeit sales in other physical locations remain high."

While Milei's government has sent large numbers of National Guard troops to patrol Salta, it has done little to stanch illicit commerce. Smugglers have carved out well-worn, heavily traveled paths around checkpoints that are barely hidden from view.

Milei rolled out a master plan last December to combat all types of illegal activity. But his administration is focusing first on halting drug trafficking, according to a Security Ministry official who asked not to be named since the plan formally says it's supposed to go after all illegal trade at once.

Last year, Fabio Castillo, like thousands of his countrymen in Bolivia, moved to the border town of Bermejo to join the goldrush. Castillo said his shoebox-size store brings in around \$50,000 a month selling Google TV boxes, JBL speakers and other gadgets to buyers paying in pesos.

Fabio Castillo

"Thanks to Milei's policies, we're doing well, because of the currency," Castillo said. While his business started eroding in September as the peso sank following the electoral defeat of Milei's coalition, when the US stepped in, Castillo rejoiced. "We're so relieved," he said "This news makes me so happy."

In Argentina, retailers who are trying to compete with black-market bargains are feeling the squeeze. Loutaif, the shopkeeper in Oran, said sales volumes at his chain of sports-apparel shops have fallen by 40% this year. He said he has lost about a third of his 27-person staff, with several leaving to smuggle contraband.

"People are betting on Milei, but I think his government is entering the final stretch of their patience," said Loutaif.

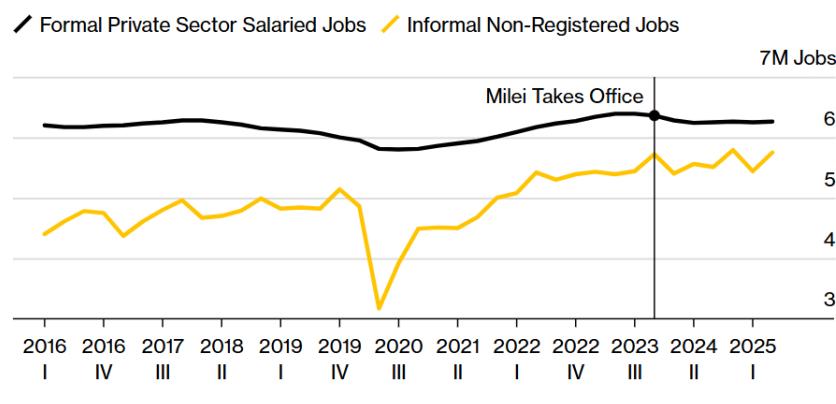
Argentine brothers Nelson and Jorge Frias quit their butcher-shop jobs in Oran last year to smuggle contraband. Their backs ache from carrying full-size refrigerators on their shoulders across riverbanks, but financially, at least, they are prospering.

Jorge, 27, said on good days he earns about 50,000 pesos – or more than double what he made slicing meat. He expressed no interest in voting later this month, personifying the voter apathy that doomed Milei in Buenos Aires.

"It doesn't matter" who's leading the country, he said. "You just gotta survive."

Argentina's Black Market Job Market Marches Onward

Argentina informal labor market has steadily grown as the formal job growth stagnates



Source: INDEC; Ministry of Human Capital

The Natural Rate of Interest Foretells America's Fiscal Doom

October 21, 2025 at 3:00 AM CST

By Clive Crook

The idea of a “neutral” or “natural” rate of interest looms over discussions of US monetary policy. Whether it’s any help in setting the course of monetary policy is questionable. Yet there’s no doubt it belongs at the center of a different, equally important discussion — on the sustainability of public debt. In that context, it gets far too little attention.

Briefly, using the neutral rate as a starting point for setting the Federal Reserve’s policy rate is unhelpful. You can define that idea in many different ways; however you define it, it’s hard to measure. Put simply, it’s the interest rate that balances saving and investment with stable inflation and no transitory shocks. Observers infer the Fed’s estimate of this number from the periodic “dot plot.” Beyond 2028, the central bank expects inflation to be back on target at 2% with the federal funds rate at 3%. So, the Fed thinks the neutral policy rate, in due course, will be 3% in nominal terms, or 1% after adjusting for inflation.

This doesn’t tell you what the neutral rate is right now — with inflation running well above the 2% target and all manner of shocks pushing this way and that. Even if you could filter out the shocks, the here-and-now neutral rate would be unclear in principle. The term could mean “not pressing up or down on inflation,” as many investors probably suppose. But many academic researchers take it to mean something else: the rate that would bring inflation back to target, either quickly, or slowly, or eventually.

If you ask central bankers where the policy rate stands right now in relation to the neutral rate, they will usually tell you, “It depends on what you mean by neutral.” Fed Chair Jerome Powell says that the current rate is “modestly restrictive.” He’ll keep saying the same if the Fed (as expected) cuts again later this month and then again in December, as long as inflation is still above target. Given all the complications and uncertainties, he’s unlikely ever to tell investors what they would love to know: how many basis points above the here-and-now neutral rate he believes the policy rate to be.

In short, the neutral rate is no help in fine-tuning monetary policy, and it’s probably a downright nuisance in explaining where the Fed stands. But the idea works much better for looking farther ahead. In fact, it’s indispensable to thinking intelligently about fiscal policy.

The US has settled into a posture of unprecedented fiscal lassitude. With the economy at full employment, the budget deficit stands at around 6% of GDP. Current policy projections show the ratio of public debt to GDP, already as high as the peak immediately after 1945, rising further and indefinitely — and nobody in Congress or the administration seems to mind. Earlier this year, the Congressional Budget Office projected an increase from 100% in 2025 to 156% by 2054. According to the Yale Budget Lab, the One Big Beautiful Bill Act will push that number to more than 194%. (Neither estimate takes account of tariff revenues, which remain anybody’s guess — but they won’t come close to stabilizing the debt ratio, let alone reducing it.)

The long-term neutral rate — for this purpose, let’s say “natural” rate — determines whether any given fiscal path is manageable or calamitous. Economists agree that the natural rate has declined over recent decades, perhaps by as much as three percentage points in real terms. This fall seemed to justify a more relaxed approach to fiscal discipline. If the natural rate is less than the rate of growth in GDP, budget deficits in moderation are sustainable — meaning consistent with a stable or falling ratio of debt to output. Those days are over. The US budget deficit is now extraordinarily immoderate, the expected rate of economic growth is lower than before and the natural rate of interest is going up.

Just how much the natural rate might rise is of surpassing importance. It’s another complicated question. An excellent new book by my colleagues at Bloomberg Economics, *The Price of Money*, surveys the research and concludes that the real natural rate for US 10-year government debt fell from nearly 5% in 1970 to 1.7% in 2012, and is now on course to climb back to 2.8% by 2030. Combined with slower growth, this seemingly small change would make taming the debt trajectory much harder.

What’s driving the natural rate? Recall that it’s the interest rate that balances savings and investment. Fiscal excess is therefore a big factor. Budget deficits reduce national saving, which pushes up the natural rate, which in turn makes the debt more expensive to service, adding further to budget deficits. Note that the Bloomberg researchers predicate their estimated natural rate of 2.8% on the assumption that “governments get their finances under control and debt ratios stabilize.” If they don’t, the rate will rise faster.

Many other factors are in play. Slow growth pushes down the natural rate, because it makes investment less attractive. Pushing the other way is the need for greater investment in defense and clean energy. Demographic change raises the natural rate because a higher ratio of dependents to workers means less private saving and, most likely, higher budget deficits. Weaponization of the dollar through sanctions against Russia, China’s efforts to lessen its dollar dependence, and global economic fragmentation will cut demand for safe US assets — lowering their price and raising the natural rate. For decades, the prices of investment goods trended lower relative to consumer goods, pushing the natural rate down; that force is likely to be weaker from now on.

On balance, a continuing upward trend in the natural rate looks likely. To my mind, 2.8% in real terms by 2030 looks optimistic. And this trajectory is on a collision course with an ever more deeply entrenched complacency about budget deficits. So yes, let’s focus on the natural rate — not to get monetary policy right, but to peer into the fiscal pit we’re digging.

The New York Times

They're Small, Yellow and Round and Show How Trump's Tariffs Don't Work

Michael Grunwald

Oct. 21, 2025

Once again, President Trump says he's preparing an emergency bailout for struggling farmers. And once again, it's because of an emergency he created.

China has stopped buying U.S. soybeans to protest Mr. Trump's tariffs on imports. In response, Mr. Trump plans to send billions of dollars of tariff revenue to U.S. soybean farmers who no longer have buyers for their crops. At the same time, Argentina has taken advantage of Mr. Trump's tariffs to sell more of its own soybeans to China — yet Mr. Trump is planning to bail out Argentina, too. This may seem nonsensical, especially since Mr. Trump already shovelled at least \$28 billion to farmers hurt by his first trade war in 2018. But it actually makes perfect sense. It's what happens when Mr. Trump's zero-sum philosophy of trade — which is that there are always winners and losers, and he should get to choose the winners — collides with Washington's sycophantic approach to agriculture, which ensures that farmers always win and taxpayers always lose. In the end, Mr. Trump's allies, including President Javier Milei of Argentina and the politically influential agricultural community, will get paid, and you will pay.

I didn't say it was good. I just said it makes sense.

The most important thing to know about the former real estate developer and casino operator in the White House is that he doesn't believe in mutually beneficial transactions. The central theme of his book, "The Art of the Deal," is that every deal has a winner and a sucker. On trade, Mr. Trump sees America as a perennial sucker, and he vows to make it win so much that you'll get tired of winning. In theory, Mr. Trump's tariffs on foreign products ranging from toys to cars to furniture are supposed to encourage manufacturers to move operations from abroad to the United States. They haven't had that effect, because the tariffs have jacked up the price of steel and other raw materials that U.S. manufacturers still need to import, triggered retaliatory tariffs from China and other countries and created a volatile trade environment that makes investing in America risky. At the same time, higher tariffs mean higher prices for U.S. consumers, even though Mr. Trump insists that only foreigners absorb the costs.

It's a lousy policy for America, but it works nicely for Mr. Trump, because it gives him enormous power to reward or punish specific companies or industries. He's provided tariff exemptions for fossil fuels, further enriching some of his most generous campaign contributors, but hasn't provided similar relief for solar panels. Mr. Trump gave a sweet deal to Apple, whose C.E.O. Tim Cook buttered him up and gave him a fancy plaque in the Oval Office. It's the economic equivalent of his approach to pardons and prosecutions: For his friends, everything; for his enemies, the law.

Of course, farmers have been among Mr. Trump's most loyal supporters, and these days they're distraught that rather than make agriculture great again, the president has chased away their biggest soybean buyer. They're especially irate that Mr. Trump pledged to rescue Argentina the same day Mr. Milei suspended its export tax on soybeans, making it more attractive for China to leave U.S. farmers in the lurch. Mr. Trump even admitted that the \$20 billion Argentine bailout won't help America much, that it's a favor for an embattled political ally who's "MAGA all the way."

But American farmers were distraught about his last trade war, too, until he regained their trust with truckloads of cash. They say that this time they don't want handouts, just open markets and a level playing field, but in the end they'll accept the handouts while less powerful business owners victimized by tariffs will get nothing. Mr. Trump initially promised to use his tariff revenue to pay down the national debt to benefit all Americans, but he'll take care of farmers first.

In fact, "Farmers First" is the motto of Mr. Trump's Department of Agriculture, and the upcoming bailout won't be even his first effort this year to redirect money from taxpayers to soybean growers. His Environmental Protection Agency has proposed to mandate two billion additional gallons of biodiesel, a huge giveaway to soy growers. His "big, beautiful bill" also included lucrative subsidies for soy-based biodiesel, which drives deforestation abroad and makes food more expensive but could provide a convenient market for unwanted grain.

Democrats have been airing ads blaming Mr. Trump's tariffs for the pain in soybean country, and they've started attacking the Argentina bailout as well. But most of them aren't complaining about his imminent farm bailout, and his recent biofuel boondoggles have bipartisan support. Mr. Trump's incessant pandering to the farmer-industrial complex is one of the most conventional Beltway instincts he has. And it has worked for him politically; even now that crop prices are plunging and soybeans have nowhere to go, rural America remains the heart of his base.

I've argued that Democrats can't out-agri-pander Mr. Trump in rural America, and now that the president has posted a meme of himself dumping on urban America, there's never been a better time to stop trying. Mr. Trump has committed to a destructive mix of tariffs, bailouts, biofuels mandates and immigration crackdowns that will make consumers pay more for food and saddle taxpayers with more debt. It's a bizarre combination of crony capitalism and agricultural socialism. It's all the worst elements of big government.

A more limited government approach would be to let farmers grow what they want, let consumers buy what they want and stop trying to micromanage the global economy to prop up specific domestic industries. Americans would be able to buy low-cost Chinese toys to give our children and the Chinese would be able to buy American soybeans to feed their pigs. We do not live in a zero-sum world; the nice thing about free markets and free trade is that voluntary transactions between individuals or nations really can make both sides better off.

Or we can keep paying farmers to farm soybeans, pay them more to convert some of those soybeans into wildly inefficient fuels, pay them even more when they can't sell their soybeans because we're in a trade war with their customers — and then pay extra to bail out one of the countries replacing them in the marketplace.

That only makes sense in Mr. Trump's Washington.

The boardroom bet on Trump's industrial policy

Editorial

It sign of the radically changed times when Jamie Dimon, one of the most prominent advocates for US free-market capitalism, throws his weight behind Donald Trump's interventionist "America First" industrial policy.

"You need America to be very, very strong secure global security," JPMorgan Chase's chief executive said, explaining the bank's "Security and Resiliency Initiative", a \$1.5tn, 10-year plan to support critical US industries.

The plan adds as much as \$500bn to an existing \$1tn strategy to facilitate and finance clients in areas such as advanced manufacturing, defence, quantum computing and battery storage. It includes up to \$10bn of direct equity and venture capital investments.

On the surface, it makes business sense for Dimon to align his rhetoric with Trump's, just as it did for CEOs to pay lip-service to environmental, social and governance (ESG) goals supported by Joe Biden and Barack Obama. In reality, though, companies run risks when they shackle hard investment strategy too closely to any government's favourite policy initiatives.

The US does face genuine threats, notably to the supply of critical minerals used in weapons production. China decided to restrict exports of such rare earths earlier this month.

A sensible industrial policy to meet this challenge would combine predictability with a light touch. It would remove regulatory and planning obstacles to the construction of vital infrastructure, target time-limited support in selected areas, encourage competition and stimulate private investors to fund projects that might otherwise be starved of capital. Biden tried to seed a return to the US of critical industries with trade, capital and technology restrictions, combined with domestic grants, subsidies, tax breaks and training programmes. Trump has relied more heavy-handed statist approach, including blunt and arbitrarily wielded tariffs and direct investments in private-sector companies such as Intel or earths producer MP Materials.

JPMorgan has been canny. Dimon insists the new plan is "100 per cent commercial". The bank's "up to \$10bn" of direct investments is also small relative to its overall resources. Ten years is a very long time in today's US politics and the bet is hedged. The industries JPMorgan will target include Trump favourites such as space and shipbuilding, but also some old Democratic administration priorities, including solar power and nanotechnology. Energy-efficiency projects that used to fall under the E in ESG are now dubbed "resiliency" planning by company bosses to avoid the limelight.

For evidence of what they risk if they commit too much to Trump's pet projects, business leaders need only look to what happened to the policies pursued by two of the president's bugbears Biden and China itself.

Trump has torn down or suspended many Biden-era programmes, particularly those linked explicitly to combating climate change. That has left investments in, say, green infrastructure, stranded or at risk. Meanwhile, in China, President Xi Jinping now warns companies against neijuan or "involution" excessive price competition after they piled into areas such as steelmaking and electric autos, encouraged by his industrial strategy.

The catchphrase "build it and they will come" is sometimes glibly cited to justify visionary projects. Some companies will stick with investments they make to placate the president. Future US administrations will face similar national security pressures, after all.

But CEOs should also consider what will happen if they build it and Trump and his industrial strategy go away.

Bloomberg

Trump's Hand With China Is Improving, But Enough?

October 20, 2025 at 10:18 PM CST

By John Authers

China Crisis

The US-Chinese trade war has been resolved again. That at least would appear to be the verdict of US asset markets. The scare that President Donald Trump caused with his threat of an extra 100% tariff on China to retaliate against export controls on rare earths didn't last long. Over the past week, the S&P 500 has gained 2.8%, almost back to its record. It's been helped by a 1.8% rally in long Treasuries over that time.

Money changes hands on each presidential pronouncement. The rally to start this week was helped by Trump's comment to CBS News that "I've been invited to go to China, and I'll be doing that sometime fairly early next year." He has also said that he expects to make a trade deal after meeting with President Xi Jinping at a Pacific Rim summit in South Korea later this month. That is deemed promising. And he also announced a deal with Australia to develop an alternative supply of rare earths, which should strengthen the US position in the longer term — but might also mean that China will think its chances will never be stronger.

The market frisson also demonstrated that it's the conflict between the US and China that matters. The various other global trade conflagrations are deemed far less important, which makes sense as these economies are by far the two superpowers. This chart is from Dan Alamariu, geopolitical strategist at Alpine Macro:

Debate also continues to rage over exactly who holds the greater leverage. The US has the dominant companies that make the chips needed for artificial intelligence, headed of course by Nvidia Corp. But China, as it reminded everyone earlier this month, has rare earths, in which it has spent decades building dominance. It also has far greater ability to withstand pain than the US, as its leaders don't have to win elections. The two sides have been steadily sundering their relationship for a while. This chart from Alamariu demonstrates that both Western European and US investors have long been deploying capital elsewhere:

Meanwhile, China has redoubled efforts to find alternative markets for its exports. The latest numbers show total exports at a record, even as sales to the US dip back to a level reached in 2018:

There are issues over whether China is essentially dumping goods on others. That could mean uneconomically poor margins for Chinese companies, and raise the risk that countries other than the US feel obliged to retaliate with tariffs of their own. But it has been helped, perversely, by the weak dollar. The yuan remains tied closely to the US currency, and that has made it far more competitive:

This means that China remains on course for the official government target of 5% economic growth for this year. It would be amazing if it missed this manufactured target, but it still suggests that Beijing has room for maneuver. It's also managing to do this despite a slump in investment in infrastructure and manufacturing, the usual standbys. Both are falling in annual terms; that hasn't happened in modern times outside the pandemic year of 2020:

These numbers suggest that the exports push can't be hurting that much. Rory Green of TS Lombard suggests the two are closely linked:

Since the 1980s, gross capital formation and export growth have been inversely related. When foreign demand is weak, investment is promoted. If trade is surging, Beijing tapers stimulus. Consumption tends to be broadly stable. In other words, if exports had been hit harder, investment would be much higher.

Both countries would prefer to avoid damage. China still appears better able to absorb more, though, if deals prove elusive.

Don't Cry for Me, Argentina...

Ordinarily, a US Treasury backstop in times of crisis is as good as money in the bank — or so Argentina's President Javier Milei thought. The reality is proving far more complicated. Treasury Secretary Scott Bessent, who was already backing Buenos Aires with a \$20 billion rescue package, is now wagering another \$20 billion to buy pesos that he, surprisingly, considers undervalued.

But so far, not even Monday's signing of the promised lifeline has calmed investors, with the peso heading into a five-day losing streak despite Uncle Sam buying it. As things stand, this unconventional bailout, which is similar to the US rescue of Mexico in 1985, hasn't fixed the damage. It has calmed but not eliminated extreme pressure in money markets. Argentina's overnight BAIBAR rate for banks briefly spiked to 140%, but remains at 60%:

Ahead of crucial midterm elections on Sunday, the lifeline has calmed a developing market rout in the perennially fragile economy. But the peso, like Argentina's bonds, quickly retreated after the initial positive reaction:

This might not rescue Milei at the polls. The peso's continuing torment, even after Mario Draghi-esque whatever-it-takes rhetoric, is a bad sign. The critical question is whether Milei's party, reeling from its bruising defeat in the Buenos Aires provincial election last month, can piece together a congressional coalition strong enough to insulate him from any attempt at impeachment.

His La Libertad Avanza party holds only a sliver of congress — roughly 15% of seats in the lower house and about 10% in the Senate. A strong showing would strengthen his attempt to push reforms through a hostile legislature.

But the US support comes with strings attached, as Trump has made clear. If Milei flops at the polls, the US backstop will no longer be there. The more investors sense the race slipping away from him, the faster economic confidence could

erode. Polymarket's odds on Milei's chances of building the largest congressional delegation have receded all year, and dwindled again after the Washington rescue:

Bloomberg Opinion colleague Juan Pablo Spinetto points out that traditionally, Argentines are quite "anti-American and the idea of having Trump so involved may be very dangerous for the ruling coalition." The question is whether Argentines will reject Trump's backing even if doing so risks an economic relapse.

I see more Argentines willing to vote against Milei's coalition because of the Trump association than Argentines saying, "Oh I am now voting for Milei because Trump is standing up to him." But in the end, folks will vote on local issues — basically how much the economy is hurting them and how much they are willing to give Milei another chance. This isn't an election about Trump.

Investors are now gaming out possible post-election scenarios, and how each might reshape Argentina's fragile recovery. Citi Research's Johanna Chua expects greater forex volatility if the electorate rebuffs the current economic policies, and sees some parallels with the loss of momentum for the reformist president Mauricio Macri towards the end of his term in 2019.

Whatever Sunday's outcome, a stable recovery will be hard without a weaker currency that narrows the current account deficit and allows Argentina to rebuild foreign reserves, Chua argues. As the chart from Capital Economics' Kimberley Sperrfechter shows, the peso's overvaluation has already fed into a widening current account deficit, preventing any meaningful accumulation of FX reserves.

Once elections are over, policymakers will try to balance reducing inflation and external competitiveness — which probably means a step devaluation and a new trading band. The peso is currently overvalued somewhere between 25% to 35%. Thus, there's a long way to go once the political dust settles — and the US Treasury is unlikely to make a good profit on its money.

Even so, as Sperrfechter notes, while this policy mix would be the right move, it might not fully restore external competitiveness. Should Milei's party fare poorly, there is a real risk of a sharp and disorderly peso correction that would undermine Bessent's assertion that the currency is undervalued. As Robin Brooks of the Brookings Institution notes, the Treasury secretary is hardly oblivious to the risk of the odds turning against him. That justifies making Washington's support conditional. The election is merely the beginning.

—Richard Abbey

Oil on Troubled Waters

One factor that's easily forgotten: The oil price is falling. Indeed, West Texas Intermediate crude has dropped to its lowest since early in 2021, well before the invasion of Ukraine. This makes it harder to spark new investment in US oil production; but it's great news for keeping the most politically important US prices under control, and for taking the heat out of geopolitics:

There's always room to argue about exactly how inflation baskets should be formed, but for politicians and behavioral economists there's an argument that in the US, the price of gasoline is more important than all others put together. Many Americans have no choice but to spend much of their lives driving. The gasoline price varies and is displayed in luminous big letters by the roadside. It matters, and everyone is conscious of it.

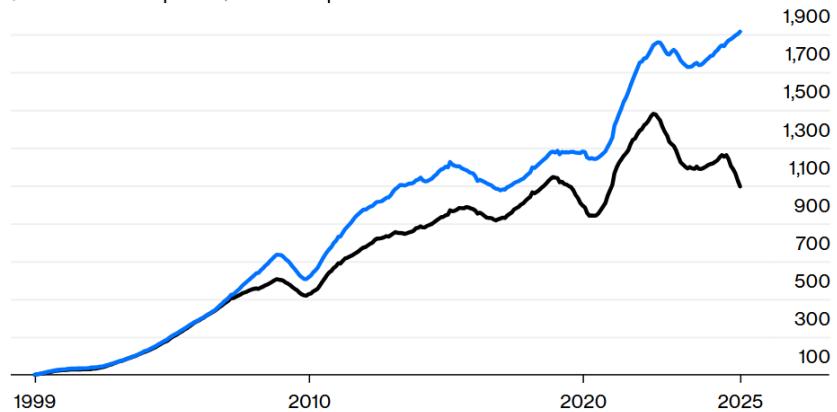
Learning the lessons from the last few years, it's not the rate of inflation that counts as much as the price level of the basics that people must buy. This is how the average gasoline price, as recorded by the American Automobile Association, has moved over this decade, in combination with the official consumer price index for food eaten at home. Both are up a little more than 25% since the beginning of 2020, but if food prices can just stay under some kind of control, it may begin to feel like the basics are at last getting cheaper:

There are a lot of moving parts at present. Tariffs could easily push up the price of goods, and the immigration clampdown could drive further services inflation. But the Trump administration has made cheaper gas a priority. It's been sensible to do so, and appears to be getting what it wants.

China's Gonna Get Along Without US Now...

Overall exports are at a record, even though US sales are at 2018 levels

✓ Total China Exports ✓ China Exports to US



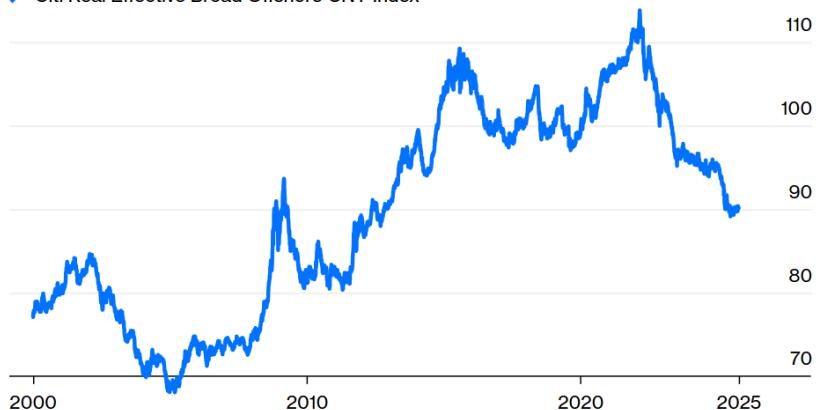
Source: Bloomberg

Note: 12/31/1999 = 100, 12-Month Moving Averages

Really, Effectively Competitive

The weak dollar has made Chinese exports their cheapest since 2012

✓ Citi Real Effective Broad Offshore CNY Index

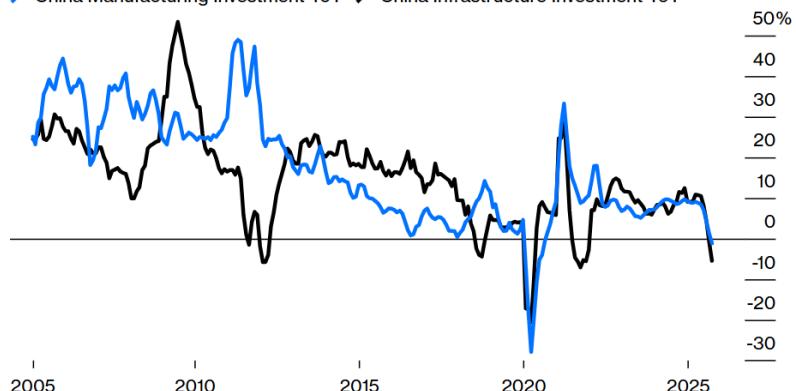


Source: Citi, Bloomberg

China's Investment Slump

Spending on both infrastructure and manufacturing is falling

✓ China Manufacturing Investment YoY ✓ China Infrastructure Investment YoY



Source: Bloomberg

Trump's Peacemaking Is as Lethal for Ukraine as Ever

October 20, 2025 at 9:00 PM CST

By Marc Champion

There's every reason to believe leaked accounts that a shouting match erupted between Donald Trump and Volodymyr Zelenskiy when they met in Washington last week. We've seen it before, after all, on camera. The US president appears to be back on board with helping Russia browbeat Ukraine into accepting a deal that would hand Vladimir Putin territory he's been trying to conquer since 2014.

What's reportedly on offer wouldn't achieve peace. It would be yet another attempt by Putin to secure by diplomatic means the strategic breakthrough he's been unable to win on the battlefield. To accept would mean certain disaster for Kyiv. To refuse risks the same.

Trump, according to a Financial Times report, cursed freely during Friday's meeting, at one point sweeping aside maps of the frontlines saying he was sick of seeing them. Yet those maps were there for a reason — to explain to the president before he meets Putin one-on-one in Budapest in the coming weeks that this is not, as Trump put it in an interview on Fox News, about how much "property" Russia has taken.

Seen merely as real estate, the proposed geographical sacrifice — while horrifically unjust — may look like an acceptable price to end the war, especially if Putin were to give back other pockets of land in a swap that brought lasting peace. At issue is about 30% of Donetsk province, which adds up to about 8,000 square kilometers, or just over 3,000 square miles, of territory.

First, in the context of this war, that's a lot of land. According to Harvard University's Belfer Center, which keeps count, Russia currently occupies about 19% of Ukraine, or 45,109 square miles. Of that total, Moscow has gained 4,484 square miles since it stemmed losses to Ukrainian counteroffensives in November 2022. In other words, Putin is asking to be gifted almost two thirds as much territory as he's been able to take in three years of fighting, at the cost of hundreds of thousands of dead and wounded troops.

Second, as the maps would show, what's at stake is the so-called fortified belt, a string of heavily defended urban centers that are the reason Russian forces have had so much difficulty advancing further in Donetsk. They've been trying to take these towns since 2014. One of them, Slovyansk, was the very first city Russian-led forces took at the time, only to lose it as Kyiv began to respond. Cede Kramatorsk, Slovyansk, Kostyantynivka and Druzhkivka, and the path further west to the major conurbation of Dnipro and north to Ukraine's second-largest city Kharkiv would be open.

Even that's not the worst aspect of this potential deal, which Putin has formulated to be either unacceptable or an instrument of national suicide. If Zelenskiy were to agree, the perceived betrayal of Ukrainians who fought and died to hold these cities and all they protect, while abandoning their populations to brutal occupation, would tear the country apart from within.

If he refuses, however, Zelenskiy will once again, in Trump's view, become the obstacle to peace. The US president has a great deal of leverage to force the Ukrainian leader's hand, including access to critical US intelligence and the right to purchase Patriot air defenses and other vital equipment, such as HIMARS rockets. This is power he's been willing to exercise. Yet he's declined to be similarly aggressive with Putin despite making threats over sanctions and long-range Tomahawk weaponry; to believe Trump will stand up to Russia at this point seems an irrational exercise of hope over experience.

Finally, even a ceasefire on current lines, which Zelenskiy says he is ready to accept as a prelude to talks on a wider settlement, would present potentially fatal risks for Ukraine. Russia's war economy would continue pumping out missiles, drones and weapons, while mobilizing new troops for a future assault. That would become all the more feasible if, as is likely, a Trump deal were to include ending economic sanctions, refueling the Russian economy. Ukraine, by contrast, would have to rely on European aid and will to build up the defenses to deter further invasion. Its own resources would be exhausted by the vast cost of reconstruction.

Europe's position would be little better. It can't afford to let Ukraine become a staging post and resource for further Russian destabilization efforts, as Putin tries to secure his place in history by overturning the balance of power on the continent. But if leaders from Berlin to Brussels encourage Zelenskiy to stand firm and Trump then pulls the plug on Ukraine, Europe also cannot replace US intelligence gathering or the critical weapons it continues to sell.

Trump has flip-flopped on Ukraine more than once, but his preference for a bilateral deal with Moscow made at the cost of Kyiv and Europe remains a constant. Seemingly, all it took for Putin to persuade Trump to change tack this time was some flattery and a phone call. Suddenly, from saying Russia was losing the war and threatening to send Tomahawks to Ukraine, he's back to echoing Kremlin talking points, saying that Kyiv is doomed to destruction if it doesn't capitulate to Putin's poison-pill terms.

Whether Trump sees Putin's goals and a weakened Europe as serving US interests, or whether he's simply determined to claim a win as peacemaker is hard to say. But the idea that he's playing hardball with Putin in private, too, as he tries to bang heads together, doesn't stack up.

Unless the White House can be swayed to pivot once again toward a policy of making it harder — rather than easier — for Putin to continue his expansionist war of choice in Ukraine, the coming Budapest summit could be among the most dangerous moments Ukraine has faced since the early days of invasion.

Bloomberg

There's a Better Way to Help Argentina

October 21, 2025 at 4:00 AM CST

By The Editorial Board

The White House is lining up \$40 billion to help Argentina's president, Javier Milei, stabilize his country's finances ahead of midterm elections on Oct. 26. There's a plausible case for intervention. Collapsing confidence and a familiar combination of peso crisis and inflation don't just threaten Milei's fiscal reforms: If the economy crashes, the damage is sure to spread.

Unfortunately, Washington's approach could prove to be self-defeating.

Milei entered office in 2023 promising to restore fiscal discipline and free up the economy. To almost everybody's surprise, he delivered — mostly. He slashed out-of-control public spending and stopped printing money to finance deficits. As a result, inflation fell sharply.

Yet he failed to confront Argentina's chronic peso problem. During his campaign, Milei said he'd scrap the currency altogether and fully dollarize Argentina's already semi-dollarized economy. When that proved too difficult, he pegged the currency to the dollar instead of letting it float. The result of this well-intended compromise is the current mess.

The difficulty of defending a currency peg in the face of collapsing confidence is well known. Given his background, US Treasury Secretary Scott Bessent should need no instruction on the matter. In 1992, he was a key member of the hedge-fund team that bet against the sterling's peg to the euro and "broke the Bank of England." Now he leads the team that is proposing to supply dollars to defend the currency of a country that has needed nearly two dozen bailouts since 1958.

In addition to buying the currency directly, the Treasury has set up a \$20 billion swap arrangement using its Exchange Stabilization Fund, allowing Argentina to buy pesos with dollars and hence defend the peg. Bessent says a further \$20 billion in private financing may be available to help Argentina meet its debt obligations. The terms of this assistance — including who bears the costs if the plan should flop — aren't clear.

US interventions of this kind aren't unheard of — and they aren't doomed to fail. A similarly large-scale deployment of the stabilization fund, used to support Mexico during its own peso crisis in 1995, was widely deemed a success. It worked partly because the assistance arrived after Mexico had given up defending its currency, and partly because Washington's commitment to the endeavor was credible: The US had an urgent and undeniable interest in stabilizing its neighbor's economy.

Note the differences. Argentina is still defending the peso. (A big devaluation and a surge of expected inflation right before the election wouldn't help Milei.) And the promise of US support is far more ambiguous. After the swap line was announced, the peso rallied. Yet pressure on the currency quickly resumed when the White House suggested its backing was contingent on Milei's party prevailing in the election. Evidently, investors suspect that the US is helping Argentina for short-term political reasons, not because it's committed to a longer-term revival.

It would've been better from the outset if the US, working with partners, had enabled the International Monetary Fund to recast its existing program for Argentina — offering sufficient additional support on the condition that its government (whoever leads it) submits to monitoring, presses forward with economic reform and floats its currency. This would've made success more likely and, in the end, less expensive. But such a strategy demanded orderly international cooperation under US leadership — an approach that this administration has largely renounced.

One hopes it isn't too late to go this route. Otherwise, prepare to see Argentina sink back into failure, with the US on the hook.

Magical thinking on CLOs hides leverage risks

Satyajit Das

Financial innovations, John Kenneth Galbraith held, are usually reinventions of products unknown to new generation of speculators. The IMF recently identified structured credit products such as synthetic risk transfers (SRTs) and collateralised loan obligations (CLOs), which are basically rebadged 1990s securitisations, as a source of "vulnerabilities". Claimed to mitigate risk, they may not do what they say on the label.

When hedging credit risk, ideally the entire exposure should be assumed by an unrelated party. Instead, credit securitisations segment the exposure of loan portfolios and transfer specific slices varying in risk. The originating banks typically retain the first few losses (equity) with the rest of the default risk being packaged up as securities for investors, including pension funds, insurance companies and, increasingly, private credit funds, or transferred in the form of a financial guarantee secured by collateral.

Banks benefit from decreasing the cost of hedging. Investors can tailor their return by assuming specific parts of the default risk. Because of banker-client confidentiality, the investor may not know the borrowers' identity, relying instead on data and ratings.

There are several concerns. First, the primary motivation is capital arbitrage, not hedging. A bank is normally required to hold a minimum 10.5 per cent capital of the face value of loans but would reduce this by about a half or more through securitisation, depending on the quality of the borrowers and risks retained. The capital released allows new lending and improves return on capital as well as payment of increased dividends and share buybacks. Irrespective of whether any reduction is justified, the overall systemic capital available against default is lower although the basic risk is unaltered. Credit risk moves from regulated entities to unregulated shadow banks.

Second, the extent of credit risk mitigation is uncertain as the originating banks retain the riskiest element exposure to first losses. Investors assume that there will be few defaults, not exceeding the number that can be absorbed by the equity.

In 2008, bank and rating agency modelling underestimated risk. This time, too, there are reasons for caution. Historical default probabilities reflect decades of low rates, abundant liquidity and often benign business and geopolitical conditions. Recovery rates are now affected by increased lending against intangible intellectual property rather than hard assets. Default correlations may be underestimated, meaning that the number of losses may be higher because many of the transferred loans are to highly leveraged borrowers with similar exposure to the economic cycle, interest rates, and availability of credit.

Third, securitisation can help disguise weaknesses of banks unable to generate internal capital because of low profitability or structural problems. Where the market for CLOs or SRTs is interrupted, banks can find themselves stuck with loans that they planned to sell on and be forced to reduce new lending.

Fourth, while structurally less extreme than in 2008, there are current transactions involving riskier assets, such as leveraged loans, subprime consumer debt, auto loans, finance to prime brokers to hedge funds and private equity lines of credit.

Fifth, there are complex circularities as banks may be investors or provide loan facilities to the same private credit funds providing the hedges in credit securitisations. The linkages will transmit losses back into the banking system and spread shocks rapidly.

Sixth, the AAA and AA-rated securities created are frequently used as collateral for borrowings such as prime brokerage loans. If defaults rise, then these securities will suffer mark-to-market writedowns, triggering margin calls for collateral as even few defaults reduce the loss protection essential to their high ratings.

In case of magical thinking, markets believe they can derive higher returns and arrangers earn fees from rearranging underlying loan cash flows that remain unchanged. Rather than financial alchemy, it suggests mispricing, reduced capital buffers and hidden risks, particularly added leverage. Rising defaults, such as the bankruptcy of auto parts group First Brands, will provide a real-world stress test of these structures and cause problems in any new financial crisis. In familiar case of *déjà vu* all over again, they will be a source of instability in new crisis.

Five golden rules for the EU's green transition

Kyriakos Mitsotaki

"flip" smartphones that fold down small. But this only serves to highlight the final reason that capitalism is not giving what want: I'm not behaving like a good free market consumer myself. Rather than shopping around, I have allowed myself to grow too comfortable in the Apple ecosystem in which all my devices synchronise with one another, which makes me reluctant switch brands.

According to CCS Insight survey of consumers across the UK, Germany, Spain and the US, 58 per cent of smartphone users would not consider switching different brand next time and 72 per cent of iPhone users. Wood calls the iPhone the "Hotel California" of smartphones, because once you're in, it's very hard to leave. "Do you have an Apple Watch?" he asked me. "I do," replied. "Then you're done. You'll take an iPhone to your grave." Perhaps it is time to change tack. If smartphones aren't going to get smaller, we will just have to start a campaign for women's pockets to get bigger. The EU's Green Deal is at a crossroads. High energy prices leave little room to burden our economies with additional costs. Meanwhile, the new geopolitical environment has reduced Europe's appetite to develop new dependencies on fuels, minerals or technologies. And the EU faces myriad other challenges our energy transition must reinforce a broader strategic framework of where Europe wants to go in the world.

Given these challenges, I would like to propose five golden rules for the green transition.

First, we must focus on cost-effectiveness. While European countries still burn coal in our power plants and oil to heat our homes and factories, we are pushing for the decarbonisation of ships and planes and of the most difficult industrial processes. This emphasis on tackling all emissions at once is shortsighted. We should scale up those low-carbon technologies that are competitive while continuing to develop the ones that are not but at a reasonable pace.

It also increasingly obvious that the last few steps to achieving climate neutrality will be very expensive. We ought to tread carefully, maintain flexibility and make sure that the maths adds up.

Second, we must treasure technological neutrality. For too long we behaved as if the energy transition is a morality game. It is time to make our exit from the garden of good and evil. Europe is signagreements to buy gas from America but does not support gas production within the EU. There is plenty of money to fund hydrogen as an energy source but very little for nuclear power.

We cannot allocate money based on vibes. We need to bet on the technologies that can deliver what truly matters: lower emissions.

Third, we must rededicate ourselves to the internal market. We have enormous price disparities in Europe, especially in electricity. Market integration is happening à la carte and few want to share their cheap electricity. So we end up with negative prices in one country while another has prices in the triple digits. This is madness. History teaches us that integration does not happen on its own. It is a political project. We must push for it at the highest levels.

Fourth, we need stronger market governance. Energy markets, and in particular electricity markets, are increasingly complex, interdependent and opaque. This is dangerous cocktail for product that is vital for human life and for Europe's competitiveness. Our market structures strive for the textbook definition of efficiency. But in doing so, the system and its effects on the public become politically untenable.

We need to restart the conversation on market governance how prices are set, in what markets, and who is really equipped to monitor these prices and prevent market manipulation at the European level.

Fifth and lastly, the green transition cannot be an end in itself. For many years, Europe elevated decarbonisation above everything else. Other goals employment, industrial production, strategic autonomy these lost when they went up against decarbonisation.

We cannot afford to stay on this path.

Decarbonisation is vital but it is not the only objective. If we must accept some emissions for a bit longer to save our industries or to maintain social cohesion, so be it. We must have these debates honestly. We cannot begin with climate neutrality and hope everything else falls into place.

These five rules are simple. They are probably, on their own, uncontroversial. But if you take them seriously if you set strategy based on these rules you develop a very different agenda for the EU, and a radical one. believe it is what we need in 2025. Otherwise, we might win the race to climate neutrality only to discover we were running in the wrong race. We cannot allow this to happen.

The UK Shouldn't Be Conducting Foreign Policy in the Shadows

October 20, 2025 at 10:00 PM CST

By Martin Ivens

In a rare interview more than 20 years ago, Jonathan Powell, who's currently Prime Minister Keir Starmer's national security adviser, admitted, "My job is best done in the shadows." The collapse of the state's prosecution of Christopher Cash and Christopher Berry, two Britons accused of spying for China, has thrust this reclusive civil servant into an unwelcome spotlight.

The intelligence agencies, MI5 and MI6, have been increasingly vocal about the threat from Chinese cyberwarfare and human-intelligence gathering in recent years, and appear to be furious that the prosecution was dropped. (Both men have denied the accusations.) Director of Public Prosecutions Stephen Parkinson has implicitly accused No. 10 of sabotaging the case weeks before the trial. Powell has been fingered as the chief culprit. The alleged motive? Fear of antagonizing Beijing and jeopardizing hopes of a better trade relationship. On this view, the government deliberately failed to provide sufficient legal proof that China is an active enemy of the British state, such that spying for it would merit a court conviction.

With the Conservative party and China hawks in full hue-and-cry mode, this murky affair has topped the news agenda for a fortnight and shows no signs of quieting down — a reproof to the Whitehall view that this sort of thing is of little interest outside of London. Starmer, having belatedly released some official witness documentation, is still under pressure to publish the minutes of an allegedly pivotal Sept. 1 meeting involving Powell and as many as 20 senior mandarins and spy chiefs.

Behind the blame trading, the case shows the PM failing to articulate another key policy — how to manage relations with China. What we do know is that Beijing was left off the enhanced tier of the Foreign Influence Registration Scheme (FIRS) when it was introduced in July (Russia and Iran made the cut). A "China audit" was buried inside the national security strategy. It doesn't take a wild cynic to speculate that the administration wants as little discussion about the UK's multi-layered relationship with Beijing as possible.

As a result, the government is in the midst of its own China syndrome, triggered by an unelected mandarinate making decisions without due scrutiny.

The world of diplomacy is novel to Starmer, and that makes Powell one of the most powerful unelected people in government as his chief advisor on sensitive international issues. Powell is the brains behind foreign policy where Starmer has had more visible successes, including forging an affable relationship with the Trump administration, than at home. The civil servant's role in conflict resolution has, as he admitted, been best done out of the glare of publicity. That's less healthy when democracies need to know what their leaders are doing in key relationships with powers that may benefit the UK — but also threaten it.

The Powell family business is a mix of diplomatic service and networking. Jonathan is the younger and more Labour-loyal brother of Charles Powell, who was Margaret Thatcher's foreign-policy guru and was elevated to the House of Lords for his assistance. Charles helped his boss discover an up-and-coming Mikhail Gorbachev; Jonathan was the mastermind behind the Good Friday peace agreement that brought peace to Northern Ireland. Neither man, despite their achievements, is a glory hunter.

But both Powell brothers have thrived best under leaders with a strong political compass. The national security adviser too often operates without oversight (as does Morgan McSweeney, Starmer's chief of staff, who's been embroiled in bitter infighting over his role). No one in No. 10 other than Powell, for instance, seems to have been across the agreement to hand sovereignty of the Chagos Islands to Mauritius while retaining a 99-year lease of a UK-US air base in the territory. Powell and the Foreign Office delivered the goods, but Starmer seemed wholly unprepared for the domestic fallout over the £3.4 billion (\$4.6 billion) price tag and the embarrassment that Mauritius is also an ally of China.

More revelations followed last week about Chinese intelligence penetration of critical British infrastructure; on Thursday, MI5 Director General Ken McCallum revealed that his service had disrupted yet another unspecified threat from China. He, too, vented frustration at the collapse of the espionage case. Meanwhile, a decision on a new Chinese super-embassy in London has been delayed until December, prompting Beijing's ministry of foreign affairs to warn of unspecified "consequences." None of this looks like a confident way of handling an adversary, whatever the potential rewards of inward investment.

The objectives of the Starmer-Powell world view are typically sensible: keep the US lifeline to Ukraine open, shore up a crumbling NATO alliance and lighten the load of US tariffs on UK exports. Job partly done — but a political price always has to be paid. Starmer's obsequiousness to the White House sticks in the craw of his party and may prompt some voters to defect to Labour's left-wing upstart rivals.

Similarly, in rebuilding ties with Brussels: Powell is both an Atlanticist and a Europhile; Britain has to avoid choosing between the two blocs and he advises a post-Brexit reset with the European Union. However, if an improvement in relations is linked to a migration deal, the domestic blowback could be fierce. The lesson of the government's China crisis is that the cloistered world of high statecraft with great powers, conducted by a few figures on their own terms, cannot be separated from the rough-and-tumble of everyday domestic politics — so it's better to be transparent about the grand

scheming from the get-go. That's the price of operating in a democracy: Britain is not China, so it might be a good idea for No. 10 and its secretive mandarins to stop behaving as if it is.

Powell clearly thinks relations with China need a reset too — Starmer is due to visit Beijing in April — but the lure of Chinese billions has proved illusory before. When the Tories wooed Beijing in the vaunted era of so-called golden relations a decade ago, trade actually declined. As it is, China's exports to the UK amount to £70 billion, dwarfing the £28 billion flowing the other way. Major Chinese investments in sensitive British infrastructure have been frozen or reversed as the security implications have slowly dawned on successive governments.

The foreign policy logic of Powell and those he serves needs contesting in the public sphere. The government, like the national security adviser himself, is shy about defending its China policy in public. Consequently, ministers are suspected of putting commerce before security — and the rule of law. And once more, the PM has absented himself from the field of battle.

Europe needs its own channels to the Kremlin

Alexander Gabuev

With yet another in-person summit between Donald Trump and Vladimir Putin in the works, the war in Ukraine is reaching a new inflection point. The Kremlin is also signalling that it is more willing to generate risks and costs for Europe now that the continent provides the main lifeline for Kyiv's self-defence. As Europe scrambles to deter Russian belligerence, there is one instrument glaringly absent from its toolkit: discreet channels of communication with the adversary.

Since February 2022, the west has seen several critical moments that could have spiralled into a direct confrontation between Russia and Nato. At every turn, the coalition used channels of communication to the Kremlin for risk management. Constant and discreet channels between seasoned US national security professionals and their Russian counterparts were always there to ensure that any Nato step to elevate support for Ukraine would be backed up by conflict diplomacy.

If an occurrence like the recent Russian drone incursions into Europe had happened year ago, European leaders would have known that someone competent on the other side of the Atlantic would be working the phones with the Russians, making clear to them that an intentional mass casualty event in Europe would have dire consequences and establishing some rules.

Now, however, Nato doesn't have these channels at a senior level anymore except, of course, for Trump and his lieutenants. The paradox is that, while rightfully demanding to be at the table when key European security issues are discussed, Europe is the only party that doesn't have any regularised functional channels to the Russian security state and the Kremlin. Even Kyiv has them through intermediaries in the Middle East, and directly through negotiations with the Russians in Istanbul: the talks may be on ice for now, but the teams maintain communication lines.

Establishing set of crisis management channels should be no-brainer for Europe at a time when the risk of direct confrontation with Russia including by miscalculation or accident is rising, and when the Trump team often continues to keep the Europeans in the dark when dealing with the Kremlin. The new administration is also rapidly abandoning America's traditional role as the adult in the room on the Russian threat.

This threat, beyond the horrors of the war in Ukraine itself, is increasingly acute for Europe. Take the recent drone attacks. In the Kremlin's view, Kyiv's defence machine relies on the many Ukrainian military production facilities hosted in its European rear and now it's high time to show that vulnerability.

Drone incursions into Nato countries are meant to give Europeans a taste of their own medicine and cause a backlash against Ukraine. For now, this is having the opposite effect: European countries are taking anti-drone warfare more seriously, and some are doubling down on co-operation with Ukraine in response. However, the Kremlin's ability to miscalculate should never be underestimated. If Putin sees that his strategy isn't working, he could raise the stakes in dangerous ways.

Moreover, even when the war eventually ends, adversarial relations with Europe may remain fixture of Russian security policy for at least as long as Putin is in charge. Accordingly, the Kremlin's attempts to damage the continent through hybrid means may outlive the war in Ukraine. The relative stability of conventional and nuclear deterrence between Nato and Russia has shifted confrontation to the hybrid domain, where rules of escalation management are not established. The Russians may try to push the envelope through trial and error with potentially devastating consequences.

It's understandable that the idea of talking to the Russian security state is divisive for the Europeans. Since 2022, sporadic attempts to do so have yielded little but frustration. There is also toxic baggage from the prewar era, when Berlin and Paris took the lead on dealing with Moscow, causing suspicion and backlash in Nato's eastern flank countries. Very few current European leaders, including in the defence and security establishments, have experience of dealing with the Russians or are seen by them as credible. Moreover, before setting up channels, Europe will need to agree on a clearly defined agenda that should cover risk management with Moscow, as well as set of guiding principles while creating no surprises for the US.

But the radically changing environment makes these steps urgent. It's high time for Europe to relearn the discipline of talking to its adversaries.

China is poised for a showdown with Trump

Gideon Rachman

Like boxers before a championship bout, America and China are trash talking each other.

Last week, Scott Bessent, the US Treasury secretary, said that when it comes to the great punch-up over trade: "This is China versus the world." If Beijing does not retract its threat to restrict the export of rare earth minerals, according to Bessent, the world will have to decouple from China.

For its part, Beijing called the Trump administration's threat to impose 100 per cent tariffs on China, "a typical example of US double talk at an earlier stage in the tariff conflict, the Chinese foreign ministry put out video of Mao Zedong during the Korean war, proclaiming: "No matter how long this war will We will never yield." But while the two sides posture like boxers at the weigh-in they are also preparing to talk. Bessent plans to meet Chinese counterparts this week. There are clear signs that President Trump is looking for a deal. He has called 100 per cent tariffs unsustainable and announced that he still admires the "highly respected" President Xi.

America's eagerness for a deal probably reflects dawning realisation that if the two sides really begin to trade blows it is China that has the greater chance of putting its opponent on the canvas.

When Trump began his trade war, his starting assumption was that because America buys a lot more from China than the other way around it was the US that had all the leverage.

That might have been true, if the US could easily replace all the goods that it buys from China. But, for certain key commodities, China is far and away the dominant supplier.

The most obvious category is the rare earths and critical minerals whose export China is now threatening to severely restrict. Anyone who follows the trade tussle between Washington and Beijing could see that punch coming from a mile off. Last August, wrote column headlined, "China has laid a rare earths trap for the west". Now that trap has been sprung. The US knows that if these new restrictions come into force in December, as China is threatening, it will not be long before some American production lines grind halt.

To hit America, China would have to restrict exports to the whole world otherwise the US might be able to buy what it needs through third parties. But Bessent's prediction that the rest of the world will then rally to America's support is questionable given that the US has lost so much good will by imposing tariffs on friend and foe alike.

Trump's trade policies are so widely disliked, there will be some countries that are quietly cheering on China.

Rare earths currently look like China's most potent weapon. But there are others that could be deployed if the trade war escalates further. A new analysis published last week showed that China is the sole supplier of key chemicals in widely used pharmaceutical products including antibiotics and treatments for heart problems, cancer and allergies.

The study found that, all told, nearly 700 drugs used in the US depend on ingredients that are solely produced in China. As geopolitical and trade tensions have mounted between the US and China, both countries have searched for pressure points that they can use.

But the American search has, so far, been less successful.

When the US targeted Huawei with sanctions and banned US companies from selling it computer chips, some foresaw painful decline and death for a leading Chinese tech company. But Huawei managed to bounce back with Chinese-made chips and tech and now seems to be going from strength to strength.

The US has also sought to ensure that America remains ahead in the race to develop AI. But export restrictions failed to prevent the emergence of DeepSeek, a highly capable Chinese alternative to American champions such OpenAI.

If the US does respond to this alignment of forces by winding down its trade pressure on China, the lessons will extend well beyond trade wars.

Both countries will know that if it ever came to a shooting war over Taiwan China will be able to apply real pressure to the US economy quite quickly. Given the importance of rare earths to crucial military systems, including the F35 fighter plane, the effects any war could be quite direct.

But China would not escape from an extended trade war unscathed. It is true that the US now only accounts for about 10 per cent of Chinese exports.

But with the country's industrial economy struggling with significant overcapacity and depressed domestic demand, many Chinese companies need to export to survive and can ill afford any lost market share.

Even under current circumstances, there are not enough good jobs for the university graduates that China is churning out. Repeated purges of senior officials and military leaders also undermine the image of serene confidence at the top, that the Communist party strives to convey.

So even a "victorious" trade war would damage China. The US and China are the two heavyweights of the world economy. When two boxers face each other in the ring, one of them is usually declared the winner on the day. But, all too often, both fighters suffer long-term damage.

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India Still Wants to Work With Trump

Walter Russell Mead

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As Sergio Gor, the recently confirmed U.S. ambassador to India, sets up housekeeping here, wish him well. The former director of personnel at the White House is walking into a firestorm. With President Trump levying 50% tariffs on India and Washington imposing a \$100,000 fee for new H-1B visa petitions, Indian public opinion has turned sharply against the once-popular American leader.

Worse, many Indians believe that the Trump administration is tilting toward Pakistan. Two White House visits by army chief Asim Munir, the second including Pakistani Prime Minister Shehbaz Sharif, sent shock waves across India and left many Indians feeling stunned and betrayed.

China has noticed. Senior Chinese diplomats are reportedly whispering sweet nothings in Indian ears. China, they say, started pressing on India's borders only when India deepened military relations with the U.S. Dump Uncle Sam, they suggest, and calm will return.

India isn't standing still. It is matching Washington's fancy footwork with Pakistan with some slick moves of its own. Last week Pakistani and Afghan forces engaged in clashes along their long and disputed border. As the conflict flared, the Afghan foreign minister popped up in New Delhi and India announced closer relations with the once-hated Taliban. The Hindu nationalists who run India and the fanatical jihadists of Afghanistan may not agree on much, but there is one idea that works for both: The enemy of my enemy is my friend.

Most Indians hope that Mr. Gor's mission will be a success. In meetings with Indian government, opposition and business leaders from Prime Minister Narendra Modi on down, your Global View columnist heard a consistent message. India's political and business leaders still want to work with the U.S.

This is good news. China isn't playing nice. Between doubling down on support for Russia's war in Ukraine, buying oil from both Russia and Iran, boycotting American soybean exports, and restricting its exports of rare earths and other critical materials, China is doing its best to push Mr. Trump into a corner. Deepening ties with India can be an important way for the Trump administration to push back in the short term and to build a strong defensive coalition for the future.

It may not be that hard. On trade, many Indian officials believe the remaining narrow differences with the U.S. can be resolved. MAGA concerns that India wants to follow China's path by feasting off access to U.S. markets, refusing to make reciprocal concessions, and cheating on trade rules are misplaced, Indians say. China's authoritarian government can pursue a long-term growth strategy based on the suppression of domestic consumer demand. Politicians in a democratic country like India must focus more on raising voters' living standards than pursuing hegemonic dreams. Indian negotiators have their red lines—the farm lobby is even more powerful in New Delhi than in Washington—but negotiators on both sides say a deal is within reach.

Ironically, the two issues that most divide New Delhi and Washington are those on which their interests most converge. Both powers see Russia's current alignment with China as a national-security threat and would like to pull the two apart. And Indians and Americans agree that China's growing military, economic and political clout in the Indian Ocean is a threat.

Despite the current upheavals, the Trump administration remains well-positioned to take U.S.-India relations to a new level. On tech policy, building close ties between the U.S., India and friendly countries like Israel and Japan offers a path to countering the Chinese push for leadership in a strategic domain. On regional issues, American and Indian interests are broadly aligned. Chinese efforts to pull countries like Nepal, Bangladesh, Myanmar, the Maldives and Sri Lanka into its orbit threaten both India and the U.S. A serious push at the State Department to coordinate Indian Ocean policy with friends like India and allies like Japan and Australia would bolster our common security and deepen trust with New Delhi. Even on Pakistan, historically the most difficult issue in U.S.-India relations, signs point to improved U.S.-India ties. In the Cold War, America valued Pakistan as an ally against the Soviet Union. But in the emerging cold war with China, Pakistan has chosen Beijing. It has a troubling record of supporting illegal nuclear proliferation, and its hands are far from clean when it comes to supporting terrorism. This isn't a country likely to attract much long-term love from Mr. Trump. An improved U.S.-India relationship would be one of the president's most important accomplishments. Failure would be an indelible blot on his record and vastly complicate life for his successors. Let's all hope Mr. Trump finds a way.