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FEATURED Q&A

Is Mexico Winning the Fight Against Contraband Fuel?



Security forces in Mexico detained more than a dozen people earlier this month in connection with an alleged scheme involving contraband fuel. // File Photo: Ale via Adobe Stock.

Q Mexican security forces on Sept. 6 detained 14 people, including a senior officer of Mexico's navy, in connection with authorities' seizure in March of a ship carrying 63,000 barrels of diesel fuel from the United States. Prosecutors have alleged that the navy officers had operated a scheme to avoid import taxes on the fuel. How big of a problem is contraband fuel in Mexico? What do the arrests say about Mexican authorities' pursuit of such corruption schemes? What kinds of efforts are needed to prevent future cases of fuel theft?

A José Carlos Rodríguez Pueblita, professor of business economics at the IPADE Business School in Mexico City: "Fuel theft and contraband fuel have become one of Mexico's most pressing organized crime challenges, extending far beyond traditional illicit activities like drug trafficking. While earlier efforts reduced pipeline theft through military deployment and supply monitoring, the problem adapted and shifted into more sophisticated channels, including maritime contraband and tax evasion schemes that cost the Mexican treasury about $24 million per day, according to PetroIntelligence, a Mexican consulting firm specialized in the sector. The September arrests, involving navy officers accused of facilitating untaxed diesel imports, highlight both the depth of the problem and the complexity of addressing it. They show that corruption networks can penetrate even high-trust institutions, but also signal that the current administration is willing to act against such abuses, regardless of the risks to institutional reputation—a contrast with the previous administration. Looking ahead, tackling

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Trump Says He Plans to Meet With Lula Next Week

U.S. President Donald Trump said Tuesday that he plans to meet next week with Brazilian President Luiz Inácio Lula da Silva, with whom he has been at odds.

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Oil Major Chevron Exporting 102,000 Barrels Daily From Venezuela: Report

Chevron's oil exports from Venezuela to the United States have reportedly halved since resuming operations in the country.

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Trump Meets With Milei, Stops Short of Offering Bailout

U.S. President Donald Trump met Tuesday with Argentine President Javier Milei on the sidelines of the U.N. General Assembly in New York. Trump vowed to help Argentina through its economic challenges but stopped short of offering a bailout.

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Milei and Trump met Tuesday. // Photo: @OPRArgentina via X.

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POLITICAL NEWS

Trump Meets With Milei, Stops Short of Offering Bailout

U.S. President Donald Trump met Tuesday with his Argentine counterpart, Javier Milei, on the sidelines of the U.N. General Assembly in New York, endorsing Milei's economic austerity efforts but stopping short of offering a bailout, Bloomberg News reported. "He's done a fantastic job," Trump said alongside Milei. "We're going to help them. I don't think they need a bailout," he added. Argentina is facing economic challenges that include fears that the country's economic stagnation could become a recession and that the peso's devaluation against the U.S. dollar could lead to higher inflation, the Associated Press reported. Milei has seen eroding support from Argentines whose economic situation has worsened amid the president's economic "shock therapy" agenda, according to the AP. Trump was joined in Tuesday's meeting by U.S. Treasury Secretary Scott Bessent and Secretary of State Marco Rubio, while Milei brought Economy Minister Luis Caputo, Foreign Minister Gerardo Werthein and his sister, Karina Milei, who serves as his chief of staff, Bloomberg News reported. Today, Bessent said in a post on social media site X that the United States is in negotiations with Argentina's government to open a $20 billion swap line. "In addition, the United States stands ready to purchase secondary or primary government debt ... The Treasury remains fully prepared to do what is necessary," he added. Trump's meeting with Milei came after Trump delivered a blistering speech for nearly an hour to the U.N. General Assembly. In the address, he called immigration and efforts to fight climate change a "double-tailed monster," The Wall Street Journal reported. "Immigration and the high cost of so-called green, renewable energy is destroying a large part of the free world and a large part of our planet," Trump told the General Assembly. "Countries that cherish freedom are fading fast because of their policies on these two subjects. Both immigration and their suicidal energy ideas will be the death of Western Europe," he added. Trump urged countries to "end the failed experiment of open borders," saying "so-called asylum-seekers" have "repaid kindness with crime." Trump added, "You have to end it now, I can tell you. I'm really good at this stuff. Your countries are going to hell," he said.

Trump Says He Plans to Meet Next Week With Brazil's Lula

U.S. President Donald Trump said Tuesday that he plans to meet next week with Brazilian Luiz Inácio Lula da Silva, with whom he has been at odds over Brazil's prosecution of former President Jair Bolsonaro, Reuters reported. Trump said he and Lula embraced and spoke briefly after Lula delivered his address at the opening of the U.N. General Assembly in New York. "We had a good talk, and we agreed to meet next week," said Trump. "He seemed like a very nice man ... At least for about 39 seconds, we had excellent chemistry," he added. In July, Trump slapped 50 percent tariffs on several imports from Brazil over what he called a "witch hunt" against Bolsonaro, an ideological ally. A panel of Brazil's supreme court on Sept. 11 convicted Bolsonaro of overseeing a failed plot to overturn the results of the country's 2022 presidential election, which he lost to Lula. Bolsonaro was sentenced to more than 27 years in prison, though his lawyers have vowed an appeal, Reuters reported. On Monday, Brazil's Prosecutor General's Office filed obstruction of justice charges against Bolsonaro's son Eduardo, a Brazilian congressman, alleging that he sought to interfere in his father's case, Bloomberg News reported. Eduardo Bolsonaro spent months lobbying the Trump administration on his father's behalf. In his speech Tuesday to the U.N. General Assembly, Lula sent a pointed message to Trump, saying "attacks against the independence of the judiciary are unacceptable," Bloomberg News reported. "Brazil sends a message to all aspiring autocrats and those who support them: Our democracy and our sovereignty are non-negotiable," he added.

NEWS BRIEFS

Trump Administration Seeking to Repurpose $1.8 Bn in USAID Funding

The U.S. State Department has asked Congress for permission to repurpose $1.8 billion in funding that had been previously designated for the U.S. Agency for International Development (USAID), which the administration of President Donald Trump dismantled earlier this year, The Washington Post reported today. The funding will go toward a range of initiatives closely aligned with the Trump administration's foreign policy objectives, including "countering Marxist, anti-American regimes" in Latin America and backing investments in Greenland, according to a State Department memo viewed by the newspaper. USAID's budget was more than $35 billion last year.

Chilean Government Nominates Bachelet for U.N. Secretary-General

Chile's government on Tuesday nominated former President Michelle Bachelet as a candidate to replace António Guterres as secretary-general of the United Nations after his term expires next year, Agence France-Presse reported. Bachelet served two nonconsecutive terms as Chile's president; she was also the U.N. High Commissioner for Human Rights from 2018 to 2022.

CIBC Caribbean Bank's Bahamas Unit Reports $24.8 Mn in Profit

The Bahamas unit of CIBC Caribbean Bank reported $24.8 million in net income for the quarter that ended in July, local news site Eyewitness News reported Sept. 23. For the same quarter a year ago, the unit reported $33 million in profit. In announcing the results, Mark St. Hill, CIBC's CEO, said the bank is performing well across its core business operations.

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BUSINESS NEWS

Chevron Exporting 102,000 bpd From Venezuela: Report

Chevron's oil exports from Venezuela to the United States have averaged 102,000 barrels per day this month—approximately half of the level recorded at the beginning of this year—three sources close to the matter told Reuters on Tuesday. The administration of U.S. President Donald Trump in May had revoked Chevron's authorization to export oil from its three active joint ventures in Venezuela alongside state-run PDVSA. In late July, the Trump administration issued Chevron a new sanctions waiver license that is designed to prevent the government of Venezuelan President Nicolás Maduro from financially benefiting from Chevron's operations in the country, including barring the firm from paying the Venezuelan state in any form of currency, Bloomberg News reported. Under the new license, Chevron and its affiliates in Venezuela have been paying taxes and royalty fees by forfeiting oil produced from their ventures, sources confirmed to Reuters on Tuesday. This arrangement has contributed to the reduction in the volume of crude oil that Chevron has sent recently from Venezuela to its refineries along the U.S. Gulf Coast, according to the wire service. "In practice, swapping fuel instead of cash suggests that PDVSA and the government will continue to raise cash by selling to China via illicit shadowy trade," Rachel Ziemba, founder of Ziemba Insights and adjunct fellow at the Center for a New American Security, told the weekly Energy Advisor in a **Q&A** published Aug. 22.

The Trump administration issued Chevron a new sanctions waiver license in July.

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fuel contraband requires a three-pronged approach. The first is greater transparency and digital monitoring of imports, customs operations and fuel distribution chains, with data cross-checks between Pemex, tax authorities and independent auditors. Second is institutional reforms that reduce discretion and strengthen accountability within the armed forces and energy regulators. Third is closer coordination between Mexican and U.S. authorities. The current administration faces both an opportunity and a dilemma: pursuing such cases demonstrates a real commitment to the rule of law and signals seriousness to the U.S. government in the fight against organized crime, but politically it may expose vulnerabilities from the prior government's strategies and teams. By moving forward decisively, President Sheinbaum can consolidate her leadership and affirm her role as commander-in-chief, though at the risk of distancing herself from her predecessor. Nevertheless, it is a challenge worth undertaking."

Pamela Cruz, editor-in-chief of the Mexican Press Agency: "The recent arrest of a navy admiral and other senior officials for their alleged involvement in a fuel smuggling network (huachicol fiscal) exposes the scale of the problem: Mexico loses billions of dollars annually to sophisticated criminal schemes that evade taxes, use falsified documents and rely on the complicity of both public and private actors. In the face of this reality, President Claudia Sheinbaum has drawn a clear line: Her administration has reiterated a policy of 'zero impunity' and made it clear that no official, regardless of rank, is above the law. This case is neither incidental nor isolated. It is part of a broader federal strategy to dismantle corruption networks that drain public finances and erode trust in institutions. By emphasizing that the investigation spanned two years and that every seizure was used to build a solid case, Sheinbaum shows this is not about media spectacle but about rigorous technical and judicial follow-up. To prevent future cases, arrests must be paired with structural reforms: full traceability of fuel from import to sale, greater transparency at customs and ports, stricter internal controls in the armed forces and a stronger anti-corruption system capable of sanctioning all parties involved, both business and government. Sheinbaum's message could not be clearer: The looting of public resources will not be tolerated, and her government is prepared to go as far as it takes to eradicate it."

Andrés Rozental, member of the Advisor board, president of Rozental & Asociados and former deputy foreign minister of Mexico: "The contraband fuel scandal continues to make headlines in Mexico as authorities uncover more and more individuals suspected of having participated in the tax avoidance scheme that netted millions of dollars for those involved. The 14 original suspects, including very senior naval officers, have now been joined by others from the ruling party that are presumed to have been part of a wholesale effort to defraud the country's tax authority of huge sums that normally would be paid on imports of gasoline. Fuel imports under the scheme were mis-classed as lubricants or other hydrocarbon derivative products that are tariff-free in Mexico. Theft of gasoline through illegal pipeline punctures, or from Pemex refineries, has been an ongoing problem for authorities for the last decade. The amount of gasoline coming from these criminal activities is significant and is often clandestinely distributed within Mexico at prices below those at service stations. Stolen fuel has also been transported illegally to the United States and then imported back to Mexico without the payment of duty if originating in a country like the United States that has a free trade agreement with Mexico. Thus, stolen gasoline that hasn't cost the thieves anything can be brought back to Mexico and sold

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at tremendous profit. Although this illegal activity has been around for many years, the principal importance of what the Mexican authorities are now doing by dismantling the criminal organizations that have benefited from the 'huachicol' scheme, and arresting dozens of suspected individuals involved, is that President Sheinbaum has openly addressed the issue and promised to go after everyone found to be suspected of involvement, notwithstanding the fact that some were navy higher-ups, and others part of the López Obrador administration. This clearly signals a break in Sheinbaum's commitment to keep AMLO, his colleagues and even his family out of any suspected corruption during his administration."

Cecilia Farfán-Méndez, head of the North American Observatory at the Global Initiative Against Transnational Organized Crime: "Fuel theft is certainly not a new phenomenon in Mexico's criminal landscape. In 2011, Pemex sued U.S. companies for purchasing stolen fuel from criminal groups. The Trump administration, however, renewed the attention on this criminal activity with the alert issued by the U.S. Treasury's Financial Crimes Enforcement Network (FinCEN) in May of this year. In that alert, FinCEN urged 'financial institutions to be vigilant' and explained that 'cartels were using complicit Mexican brokers in the oil and natural gas industry to smuggle and sell crude oil stolen from Pemex to complicit, small U.S.-based oil and natural gas companies operating near the southwest border.' While combating corruption has been a central motto for Morena, there have been few high-profile cases that have been prosecuted. These arrests could be a step in the right direction in terms of signaling that the Sheinbaum government is willing and able to prosecute corruption cases linked with criminal activities even if they involve personnel from the armed forces. But arrests alone are not sufficient. Mexico has executed high-level arrests only to be followed by questionable dismissals. What is needed, to send a strong message around these corruption schemes, is a proper criminal proceeding. While I do not think there is a one-size-fits-all approach, an important element to highlight with these cases is the transnational nature of the crimes. As the FinCEN alert highlighted, this activity generally involves actors on both sides of the border. Therefore, robust cooperation between Mexico and the United States is a key component of identifying and prosecuting these criminal activities."

Ruben Olmos, chief executive officer of Global Nexus LLC: "The fuel contraband in Mexico known as 'huachicol fiscal' is a top national security threat and a major challenge for the Sheinbaum administration, as it involves dangerous criminal groups presumably protected by top elected and public officials including governors, mayors and officials in the security cabinet. President Sheinbaum's unprecedented actions, carried out by her closest cabinet member, federal public security secretary Omar García Harfuch and the attorney general against top leadership of the navy mark a historic move to persecute members of an elite institution that most Mexicans respect. The wide network of corrupt members of the navy and officials in customs and ports has left the president with no alternative but to dismantle it and expose many politicians who were presumably protected by former President López Obrador. In recent weeks, President Sheinbaum has shown signs that she is willing to break with the past, knowing well there are risks to that but at the same time designing her legacy and taking over the country as head of the armed forces."

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

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