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Latin America Advisor

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Monday, April 27, 2026

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FEATURED Q&A

What Are the Costs of the Colombia-Ecuador Trade War?



Colombian President Gustavo Petro (L) and Ecuadorean President Daniel Noboa (R), pictured in October 2024, have traded insults in recent months amid an escalating trade war between the two countries. // Photo: Ecuadorean Government via Flickr [PDM 1.0](#).

Q Ecuador's government announced April 9 that it will hike tariffs on imports from Colombia to 100 percent on May 1, up from 50 percent, saying the neighboring country has failed to implement effective border security measures. Colombia's trade minister said the next day that the country would retaliate with 100 percent tariffs on Ecuadorean goods, but Colombian President Gustavo Petro later walked back that threat, saying his government would introduce "smart" tariffs and subsidies rather than increasing its current across-the-board tariff of 30 percent on imports from Ecuador. How has the trade war between the two countries, which erupted in January, affected their economies and residents? Which sectors have been most affected? How likely are the two countries to find a resolution soon to the dispute?

A Nathalie Cely, president of the Centro de Competitividad in Quito and former Ecuadorean ambassador to the United States: "The tensions between Ecuador and Colombia are not merely commercial—they are political. What began as a legitimate demand for regional security has escalated into a full-scale trade war that could even lead to the collapse of the Andean Community. The recent decision by President Daniel Noboa to impose tariffs of up to 100 percent appears to be a reactive measure that was not fully thought through. In contrast, President Gustavo Petro has signaled restraint, announcing that Colombia will not impose additional tariffs on key imports essential to its economy. Still, this impasse—affecting bilateral trade estimated at \$3 billion—is already being felt, with an overall reduction

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TODAY'S NEWS

POLITICAL

20 Killed, 36 Injured in Bus Bombing in Cauca

20 people were killed and 36 others were injured Saturday in a bombing attack on a bus in southwestern Colombia. Officials blamed the attack on the FARC-EMC rebel group.

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BUSINESS

Canada Approves \$4 Bn Gas Pipeline Expansion Plan

Canada's energy ministry on Friday approved Enbridge's proposed expansion of its natural gas pipeline network in British Columbia and Alberta provinces.

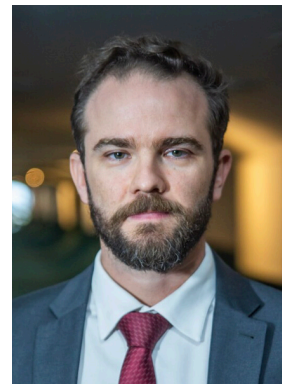
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ECONOMIC

Brazilian Gov't Bans Prediction Market Platforms

Brazil's government has blocked access to prediction market platforms Polymarket and Kalshi, Finance Minister Dario Durigan announced on Friday. Brazil's government is seeking to impose harsher enforcement of its anti-gambling regulations.

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Durigan // File Photo: Brazilian Government via Wikimedia Commons [PDM 1.0](#).

POLITICAL NEWS

20 Killed, 36 Injured in Bus Bombing in Southern Colombia

Colombian officials said Sunday that the death toll has risen to 20 from a bus bombing that occurred on Saturday in the rebel-plagued Cauca department, the Associated Press reported. Thirty-six other people were injured in the bombing, said Octavio Guzmán, Cauca's governor. The attack took place on the Pan-American highway, around 20 miles to the north of Popayán, Reuters reported. The commander of Colombia's military, Hugo López, described the bombing as a "terrorist act" and blamed it on the Central General Staff (EMC), the largest active splinter organization of the now-defunct FARC rebel group, the AP reported. "Cauca cannot continue to face this barbarity alone. We are facing a terrorist escalation that demands immediate responses," Guzmán said Saturday evening in a post on social media site X. "We demand forceful, sustained and effective action from the national government in the face of the grave public order crisis we are experiencing," he added.

U.S. Grants Maduro Access to Venezuelan Funds for Defense

The U.S. government has amended its sanctions policy to allow former Venezuelan President Nicolás Maduro and his wife, who face drug and weapons charges in a federal court in Brooklyn, to use Venezuelan state funds to pay for their legal defense, Reuters reported. On Friday, the top prosecutor in the case informed the court that the U.S. Treasury's Office of Foreign Assets Control has issued amended licenses to Maduro and his wife, Cilia Flores, allowing them to tap Venezuelan funds, Bloomberg News reported. The arrangement means Maduro and Flores will likely drop their request for the case against them to be dis-

missed, the news service reported. Maduro has pleaded not guilty, arguing that he is immune from prosecution in the United States.

ECONOMIC NEWS

Brazil Bans Online Prediction Markets in Anti-Gambling Push

Brazil's government has blocked access to prediction market platforms Polymarket and Kalshi, part of a broader crackdown on sites authorities say are operating in violation of federal gambling laws, officials announced on Friday, Bloomberg News reported. A total of 27 platforms were blocked, Finance Minister Dario Durigan announced at a Friday news conference. The action followed a resolution by the National Monetary Council prohibiting derivatives tied to sporting events, elections, online gaming and other real or virtual events of a political, cultural or social nature, according to Reuters. Durigan framed the move as part of a wider effort to protect Brazilian households from the social harms of unregulated gambling, a concern President Luiz Inácio Lula da Silva has linked to rising consumer debt. "We have advocated for stricter enforcement and very rigorous regulation so that we can curb the negative externalities and social harm that unregulated gambling causes," he said on Friday, Bloomberg News reported. Economic reforms secretary Regis Duda added that prediction markets had attempted to position themselves as financial products by selling derivatives, but in practice functioned like betting. "This product that was being presented as a security carried the potentially very destructive features of gambling," Duda said, Reuters reported. Under the new framework, only derivatives tied to economic benchmarks such as price indices, interest rates and exchange rates will be permitted, with securities regulator CVM tasked with overseeing enforcement. Kalshi said it is reviewing the resolution; Polymarket did not respond to requests for comment, Bloomberg News reported.

NEWS BRIEFS

Rodríguez, Petro Meet in Caracas Amid Transition

Colombian President Gustavo Petro met with Venezuelan acting President Delcy Rodríguez in Caracas Friday, their first encounter since U.S. forces seized former President Nicolás Maduro in January. They discussed migration, border security, defense and trade, with a focus on the conflict-ridden Catatumbo region, the Associated Press reported. Colombia's government said the meeting aims to "contribute to a resolution of Venezuela's political crisis," though Petro's mediation leverage is limited ahead of his August departure from office, the AP reported.

U.S. Could Review Stance on Falklands: Reuters

The U.S. government is considering reviewing its official position on sovereignty over the Falkland Islands, which Britain administers but Argentina claims, as retribution for a perceived lack of support from London for the United States' ongoing conflict with Iran, Reuters reported Friday, citing an internal Pentagon email. The United States currently recognizes the Falklands as British territory; U.K. forces soundly defeated an Argentine invasion of the islands in 1982, and more than 90 percent of Falklands residents voted to remain under British rule in a referendum in 2013.

Fujimori, Sánchez Tied in Peruvian Presidential Poll

A runoff election poll released Sunday from Ipsos Peru showed right-wing candidate Keiko Fujimori in a statistical tie with left-wing Indigenous nationalist Roberto Sánchez, Reuters reported. Fujimori and Sánchez are currently in position to advance to a June 7 runoff, but authorities in Peru are still recounting tens of thousands of votes from the April 12 first-round election. Right-wing former Lima mayor Rafael "Porky" López Aliaga trails Sánchez by just one tenth of a percentage point.

BUSINESS NEWS

FEATURED Q&A / Continued from page 1

Canada Approves \$4 Bn Gas Pipeline Expansion Plan

Canada's energy ministry on Friday approved plans for Enbridge, North America's largest pipeline operator, to build a new natural gas distribution network stretching from Alberta province to export facilities along the Pacific coast in British Columbia, The Wall Street Journal reported. The project is expected to receive \$4 billion in investment and generate more than \$700 million in federal and provincial taxes during construction, which is set to begin in July and finish before the end of 2028, Reuters reported. The approval of Enbridge's Sunrise Expansion pipeline plan, which will add 300 million cubic feet per day of natural gas transport capacity to Canada's western coast, comes as the government of Canadian Prime Minister Mark Carney looks to boost revenue from the oil and gas sector and reduce Canada's dependence on the United States for hydrocarbons exports. British Columbia has newfound capacity to export natural gas sourced from Alberta; Shell's LNG Canada facility in Kitimat shipped its first cargo of liquefied natural gas last year, and a second LNG terminal along the Pacific coast, Enbridge's Woodfibre LNG project, is due for completion by the end of 2027. The Sunrise Expansion project's 90 miles of gas pipeline will end at the Woodfibre LNG project in Squamish, British Columbia, located some 20 miles to the north of Vancouver. "The multibillion-dollar Sunrise Expansion Program is a shovel-ready, critical natural gas infrastructure project that supports the advancement of Canada's energy superpower ambitions," Greg Ebel, Enbridge's CEO, said in a statement on Friday. "We can strengthen energy security and price stability and create new international trade opportunities while meeting rigorous environmental and safety standards," said Tim Hodgson, Canada's minister of energy and natural resources. [Editor's note: See related [Q&A](#) in the April 3 issue of the weekly Energy Advisor.]

of approximately 50 percent. Ecuadorean imports have fallen 66 percent, and exports have declined 20 percent. Pharmaceuticals have dropped 48 percent, while agriculture and manufacturing face serious disruption through their deeply integrated binational supply chains. Energy is another critical area: Ecuador has historically depended on Colombia during dry seasons, importing as much as 20 percent of its electricity. Employment has already contracted by 5,000 jobs, with 15,000 transport workers affected, and the total impact could reach 300,000 direct and indirect jobs across both countries. At these tariff levels, smuggling will become uncontrollable, ultimately undermining the very security goals that triggered the conflict. Government officials celebrate the reduced trade deficit and cling to the dream that domestic industry will substitute these imports. Yet we know industrial policy built on tariff hikes does not work—especially when temporary. There are no clear signs of resolution. A couple of diplomatic meetings have not achieved any concrete results, and personal differences between the presidents have blocked the diplomatic path. I believe we must wait for Colombia's new government to be elected before communications can reactivate."

A **Jolyn Debuyscher, country risk expert for Latin America and the Caribbean at Credendo in Brussels:** "In the near term, the dispute likely drags on because domestic

political incentives reward confrontation. President Noboa can use the standoff to generate a rally-around-the-flag effect, deflect attention from Ecuador's deteriorating security situation and to curry (military) favor from Trump. In Colombia, with presidential elections in May, leftist President Petro has little incentive to offer concessions to a right-leaning neighbor, particularly if doing so could weaken the left. Trump is a key wildcard—close ties with Noboa and frictions with Petro could push the dispute in unexpected directions. That

“ Domestic political incentives reward confrontation.”

— Jolyn Debuyscher

said, if a right-winger takes office in Colombia in August, which is by no means certain, the trade war is likely to deflate quickly. So far, the macroeconomic impact is limited because bilateral trade is small, and higher oil prices linked to the Middle East conflict are supporting both economies given oil's significant role in foreign exchange earnings. Still, Colombia is an important market for several Ecuadorean food exports, including shrimp, rice, sugar and palm oil. Companies relying on what is normally a free circulation of goods between both countries, as well as transport and logistics firms, will be affected due to reduced trade and increased

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Firms Paying Steep Premiums to Cross Panama Canal: ACP

Fees for transiting the Panama Canal without a reservation have ballooned in some cases to as much as \$4 million per vessel—more than 10 times normal rates—as the global shipping industry responds to conflict in the Middle

East, Panama Canal Authority Administrator Ricaurte Vásquez told the Associated Press on Friday. While ships with reservations can cross the canal for a flat rate, last-minute crossings are awarded in an auction to the highest bidder. The Panama Canal's average daily commercial traffic increased by 18 percent between January and March, The Wall Street Journal reported. The Strait of Hormuz has remained closed to most vessels since early March amid dueling Iranian and U.S. blockades.

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bureaucracy. The main downside risk is energy: Ecuador regularly grapples with energy shortages as three quarters of the country's electricity comes from hydropower, which in recent years has been hit by droughts triggered by climate change. Ecuador relies on Colombia for up to 10 percent of its power, which is critical especially in the September-to-March dry season."

A **Sebastián Hurtado, CEO & founder of PRóFITAS in Quito:** "This trade war is a zero-sum game that has damaged both nations, particularly affecting border communities. Formal bilateral trade collapsed by 44 percent in early 2026, with Colombian exports to Ecuador plummeting nearly 57 percent. According to local media, in border cities like Ipiales, the economic freeze has cost more than 5,000 jobs and generated daily losses of \$5.5 million. With legal commercial channels crippled, smuggling and black-market flows across informal crossings have surged, strengthening powerful transnational criminal organizations. The dispute has wounded the energy, health care and agricultural sectors. Colombia's suspension of electricity exports has worsened Ecuador's exposure to a potential power crisis this year, in retaliation, Ecuador imposed a massive tariff increase on Colombian crude oil transported through its pipelines. In health care, Ecuador's 100 percent tariffs

have caused shortages of Colombian-imported pharmaceuticals, including oncology drugs and dialysis supplies. Agricultural inputs have also been hit; restricted access to Colombian pesticides and fertilizers is affecting productivity, while the Colombian sugar, confectionery and cosmetics sectors have lost critical market share. A near-term resolution is unlikely, as the dispute has

“The conflict is fueled by toxic personal animosity...”

— Sebastián Hurtado

devolved into a bitter ideological and geopolitical feud. The conflict is fueled by toxic personal animosity between conservative, U.S.-aligned Ecuadorean President Daniel Noboa and leftist Colombian President Gustavo Petro. With Colombia's presidential election approaching in May, Petro has the incentive to politically leverage a foreign threat, while Noboa benefits from deflecting some of the blame for a persisting local security crisis. This ensures the standoff will persist, at least until a new government is inaugurated in Bogotá."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

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Latin America Energy Advisor is published weekly, with the exception of some major U.S. holidays, by the Inter-American Dialogue 1155 15th Street NW, Suite 800 Washington, DC 20005 www.thedialogue.org

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