

Public Affairs Chatter – October 21, 2024

Mexico Announces New FDI Amid Looming USMCA Talks and Judicial Reform Uncertainty

Last Tuesday, at the US-Mexico CEO Dialogue held at Palacio Nacional, several multinational corporations, including Amazon, Mexico Pacific, Royal Caribbean, and Woodside Energy, announced investments totaling over \$20 billion in Mexico. The plan was that these announcements would signal confidence in the country's future as a hub for business, and put the heated debate over judicial reform and other recent constitutional changes behind it. The official narrative emphasized **trust**, positioning Mexico as a reliable partner for global companies looking to expand.

Photo of the Week – President Sheinbaum Speaks at the US-Mexico CEO Dialogue



Neoliberal critics – and there is no shortage of these – were quick to dismiss the exercise as P.R. They noted that half the announced investments come from Woodside's Trion deep water oil JV with Pemex in the Gulf of Mexico, and will generate few jobs. They argued that FDI is currently mostly coming from reinvested profits, not new money. They said that the government has yet to show how the judicial reform and other constitutional changes will enhance legal and investment certainty. They worry that a lack of sufficient investment in oil, gas, electricity and water due to freezing out the private sector is holding back Mexico's competitiveness. And with Trump the current favorite to win the November US Presidential

election, and attacking USMCA and benefits it gives Mexico, they expressed concern that uncertainty over the future of USMCA may stall FDI in 2024 and 2025.

Mexico is cautiously exploring diversifying its global partnerships, such as its recent outreach to **India**. However, it's clear that **no market for Mexico can come close to replacing the dominant U.S. economy**. Moreover, Mexico needs to be mindful not to position itself as a backdoor for foreign companies, especially **Chinese firms**, looking to enter U.S. via USMCA. With tensions between the U.S. and China showing no signs of easing, any perception that Mexico is facilitating such access could strain the USMCA further.

The challenge—and opportunity—for Mexico is navigating the possible **USMCA renegotiations** and **domestic reforms** in a way that reassures investors while opening new avenues for growth. By addressing uncertainties with thoughtful, investor-friendly policies, Mexico can continue to capitalize on its position as a key and complementary player in the North American economy. The CEO Dialogue was a helpful exercise in communicating Mexico's openness to investment and critical to ensuring North American competitiveness in the global economy, but the hard part – cementing the future of USMCA, implementing successfully the judicial reforms, resolving scores of outstanding arbitrations from foreign companies – remains ahead.

Sheinbaum Defends Judicial Reform as People's Will Amid Legal Challenges

Following the approval of the Judicial Reform, several legal challenges have been filed to prevent its implementation. The latest, announced on Thursday, October 17, came from an obscure Judge, Nancy Juárez Salas, who ordered President Sheinbaum to remove the document from the Official Gazette (Diario Oficial de la Federación, DOF). Sheinbaum publicly dismissed Judge Nancy Juárez's injunction, claiming it has no legal foundation and exceeds the judge's authority.

The conflict between Mexico's judiciary and the government revolves around whether an *Amparo* —a legal remedy designed to protect constitutional rights— can be used to challenge constitutional reforms. The judiciary maintains that an *Amparo* can review constitutional amendments that may infringe on individual rights or violate legal procedures. In contrast, the government argues that constitutional reforms are beyond the scope of *Amparo*, asserting that such challenges undermine the legislative authority and delay crucial reforms. This clash raises questions about balancing legislative power and judicial oversight in Mexico's legal system.

The National Electoral Institute (INE) has paused preparations for the judicial elections until the Electoral Court (TEPJF) and the Supreme Court (SCJN) resolve pending suspensions and appeals aimed at halting the process. Concerns have been raised regarding contradictions

between the secondary legislation and the reform, particularly on issues like voting abroad, gender parity, and geographical boundaries.

Carlos Ávila, a spokesperson for judicial employees, emphasized that the *Amparo*, a fundamental legal protection in Mexico, is a constitutional safeguard against potential legislative or executive power abuses. Ávila further noted that the government's attempt to push through the reform despite ongoing legal challenges undermines the checks and balances critical to a functioning democracy.

In addition to the five legal challenges against the constitutional amendment, the Supreme Court has accepted reviews initiated by judges and magistrates. This reflects the increasing legal scrutiny surrounding the reform, as crucial actors in the judiciary push back, raising concerns over its constitutional validity and potential impacts on judicial independence. The court's involvement signals a pivotal moment for the reform's future in Mexico.

From Security to Criminality: García Luna's Conviction Raises Stark Questions on Government Accountability

The sentencing of Genaro García Luna, Mexico's former Secretary of Security under President Calderón, to nearly 39 years in prison marks a significant blow to the image of both the 2006-2012 Calderón government, and Mexico itself. Judge Brian Cogan, who also sentenced drug lord Joaquín "El Chapo" Guzmán, imposed 460 months for four charges and six months for lying under oath, along with a \$2 million fine. García Luna's ties to organized crime under the Calderón administration raise disturbing questions about government complicity at the highest levels.

Despite the defense's efforts to argue for a lighter sentence, the case exemplifies how systemic corruption infiltrated Mexico's security apparatus. The former U.S. Ambassador to Mexico, Roberta Jacobson, emphasized that the U.S. assumed Calderón's government had more information on García Luna's criminal activities, casting further doubts on Mexico's fight against corruption during his tenure. This conviction highlights an ongoing struggle: can Mexico truly address its long-standing corruption issue when such high-ranking officials are implicated in criminal enterprises?

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