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Spain and Mexico: From Thaw to Rapprochement

King Felipe VI of Spain visited Mexico City on 26 June for a one-hour meeting with President Claudia Sheinbaum at the National Palace. This was his first visit to Mexico in seven years and marked a significant step in the normalisation of bilateral relations after prolonged diplomatic tension.

The estrangement dated to 2019, when then-president Andrés Manuel López Obrador wrote to Felipe VI requesting Spain acknowledge and apologise for abuses committed during the Conquest. The Spanish government rejected the letter outright, and relations remained largely frozen for years, culminating in Sheinbaum's decision not to invite the King to her inauguration in 2024. The reconciliation process began in earnest late last year with Spanish Foreign Minister José Manuel Albares' public acknowledgement of the "pain and injustice" suffered by Mexico's indigenous peoples.

Sheinbaum described the encounter as "very cordial," noting that the main topic of conversation was the significance of indigenous communities to Mexican national identity. She explained that she underscored for the King why requests for recognition of the Conquest's abuses were a matter of national identity rather than mere political grievance, and cited the fact that 28 million Mexicans identify as indigenous and that 69 native languages are still spoken. Felipe VI reportedly responded by proposing that the forthcoming XXX Ibero-American Summit in Madrid in November dedicate a working session to Mexico's indigenous peoples.

Speaking the following day in Guadalajara, where he attended Spain's World Cup match against Uruguay, Felipe VI described the bilateral relationship as "magnificent" and forecast an "enormously prosperous future" for ties between the two countries.

The visit carried clear strategic weight beyond the ceremonial. The Mexican foreign ministry noted in a statement that Spain is Mexico's second-largest commercial partner within the European Union, with bilateral trade standing at US $11.1 billion. Analysts have observed that Sheinbaum is prioritising high-level relations with Spain (a notable departure from López Obrador's foreign policy line) at a strategic moment for consolidating ties with European allies.

The modernisation of the EU-Mexico Global Agreement — which is expected to provisionally go into effect by 2027 pending full ratification by EU member states and the Mexican Senate — has become increasingly important as Mexico looks to diversify its commercial and investment outlook.

Both the Spanish and Mexican governments treat its eventual implementation as the legal framework through which trade, investment, procurement and regulatory cooperation will deepen over the coming years. For companies with operations in both countries, the agreement promises updated provisions on digital trade, sustainable development, investment facilitation and intellectual property, alongside broader market access commitments.

A Shared Pest, a Shared Fix

The governments of Mexico and the United States reaffirmed this week their joint strategy to combat the New World Screwworm, underscoring the capacity for technical bilateral cooperation even amid broader commercial tensions.

President Claudia Sheinbaum and US Secretary of Agriculture Brooke L. Rollins jointly presided over the reactivation of the Sterile Fly Production Plant in Metapa de Domínguez, Chiapas — a binational project that, along with Panama's facility, aims to contain and eradicate the flesh-eating parasite. Sheinbaum confirmed that the facility is operating through close collaboration with US authorities, while emphasising that the plant is staffed and administered by Mexico's National Service for Agri-Food Health, Safety and Quality (SENASICA).

The plant's reopening comes against a backdrop of commercial tensions and public health concerns triggered by the pest's re-emergence, which had led the US government to impose restrictions on Mexican live cattle imports, causing losses for the livestock sector (but a surge in beef exports). The pest re-emerged after three decades of eradication in Mexico in late 2024; more than 30,000 animals have since been infected. The first US bovine case in nearly 60 years was confirmed in Texas on 3 June. As of late June, 27 cases had been identified in the United States — concentrated in Texas but with further instances appearing hundreds of miles from the southern border.

Investment in the project has been shared between both governments: Mexico contributed $31 million dollars in kind, principally land and pre-existing infrastructure, while the United States financed construction and equipment at a cost of $23 million dollars and has committed a further $83.8 million dollars to expand production capacity and reinforce containment actions in both countries. The USDA has also broken ground on a $750 million sterile fly production facility in Texas, though that installation is not expected to be operational until next year. Current weekly production of sterile flies is targeted to rise from an initial 30 million to 100 million by the end of 2026, supplementing the 100 million flies already being flown weekly from the Panama facility to affected areas in the US.

Sheinbaum used the occasion to underscore the value of bilateral cooperation, describing Rollins as "a friend of Mexico" and asking the US ambassador to convey her gratitude to President Trump. Rollins in turn called Sheinbaum an "extraordinary ally."

Although the announcement was presented primarily as an update on sanitary cooperation, its broader significance lies in the regulatory framework governing livestock trade between the two countries. Sheinbaum indicated that the reopening of the northern border to livestock and agricultural products will depend on the epidemiological indicators that both nations will monitor jointly in the wake of the first sterile fly releases, underscoring that compliance with technical standards will drive the timeline rather than political negotiation alone.

The sterile fly technique was originally developed in the 1930s and has since been refined through decades of binational cooperation; it is widely regarded as one of the most successful examples of cross-border animal disease control. Larval inputs to the Chiapas facility are supplied from Panama's analogous plant, with sterilised flies then released along Mexico's northern border zone.

For Mexico, restoring unrestricted access to the US livestock market remains the immediate priority. The United States represents the principal destination for Mexican live cattle exports, meaning prolonged sanitary restrictions would have significant economic consequences for producers, particularly in northern border states. Compliance with US sanitary requirements is therefore not simply a matter of agricultural policy but an essential component of Mexico's broader export strategy.

Disconnection Deadline Extended

President Sheinbaum confirmed this week that the federal government will postpone the effective implementation of the mandatory mobile phone registration that was originally expected to conclude on 30 June. Rather than disconnecting all non-compliant lines simultaneously, the authorities will adopt a gradual implementation strategy, with the head of the Digital Transformation Agency (ATDT), José Antonio Peña Merino, expected to provide further operational details in the coming days. The announcement changes the implementation timetable, but not the legal obligation itself.

The adjustment reflects both the practical and technical challenges of implementing one of the most ambitious regulatory obligations introduced under Mexico's new telecommunications framework. The head of regulatory policy at the Comisión Reguladora de Telecomunicaciones (CRT), Ricardo Castañeda Álvarez, explained that a phased extension was adopted in part because it is technically near-impossible to disable tens of millions of lines simultaneously — network signals would become saturated by the volume of commands in the same way that telecommunications networks are overwhelmed following a natural disaster. With approximately 57 per cent of lines still unregistered as the 30 June deadline approached, a mass disconnection on a single date was not operationally viable.

Under the phased timetable, lines will be disabled progressively by final digit from 15 August onwards, with the process continuing through to the end of the year. The CRT estimates that between 120 million and 130 million lines (around 85 per cent of Mexico's total of 144.6 million active lines) will ultimately be registered. Between 14 million and 24 million lines are expected to remain unregistered and will be suspended; these include chips to be discarded by users, lines not associated with any individual, and lines used for point-of-sale terminals, satellite trackers and internet services. Castañeda indicated that a further extension beyond December is not anticipated, though the situation will be assessed at year-end.

Articles 103 and 164 of the Federal Telecommunications and Broadcasting Law require all mobile lines, whether operated by concessionaires or Mobile Virtual Network Operators (MVNOs), to be associated with a verified individual or legal entity through the National Mobile Line Registry. The objective is to limit the anonymous use of mobile services for crimes such as extortion, kidnapping and fraud. Castañeda noted that the phased disconnections are also intended to function as an incentive: as users see lines genuinely disabled, those yet to register are expected to do so before their own number is affected.

While postpaid users can generally be linked through existing contractual information, prepaid lines — which account for the large majority of Mexico's mobile market — require individual identity verification, creating significant logistical burdens for operators, distributors and consumers alike. Castañeda dismissed concerns about third parties registering lines on behalf of others, noting that the process requires identity document cross-referencing and photographs matched against the INE database. He also sought to address persistent public concerns about data privacy, arguing that mobile operators already hold the relevant data for most users, and that registration simply completes existing databases, comparable to information provided to banks, schools or utility companies. He attributed lingering public resistance to misinformation, noting that it is operators, not the government, who hold the data.

The policy also fits within the administration's broader regulatory agenda on digital identification. Over the past year, the government has progressively linked telecommunications policy with wider initiatives including Llave MX, CURP biometric validation, digital public services and administrative simplification. Rather than functioning as an isolated telecommunications measure, mobile line registration is becoming one component of a wider digital governance architecture intended to improve identity verification across multiple public services. But the low take-up and poor communication of compulsory mobile phone ID registration underlines how challenging implementing this agenda has and will very likely will continue to be.

Virtual Trade Talks, Real Consequences

The formal review of the United States–Mexico–Canada Agreement (USMCA) officially begins on Wednesday, 1 July, with a virtual meeting of negotiators. The supposed objective under the terms of the agreement is not to reopen the entire treaty, but to assess its operation, fine tune details, and determine whether the three parties wish to affirm its duration for the initial sixteen-year term or move to a 10-year period of annual reviews that would then culminate in its expiration. (The option of a cancellation with a 6-month notice period remains on the table, and Trump himself has brought this possibility up many times.) While the legal framework provides continuity throughout this process, the review creates an opportunity for each country to advance broader policy priorities, change key details.

The scale of what is at stake is considerable. Mexico and Canada’s exports to the United States totalled some $918 billion dollars in 2025; Mexico has this year consolidated its position as the United States’ largest trading partner, with bilateral trade approaching $873 billion dollars. Around 85 per cent of what Mexico exports to the United States enters under USMCA preferences, even if Section 232 tariffs means many exports (cars, steel) to the USA that are compliant with USMCA rules of origin are not in fact entering tariff free to the US.

Mexico enters the negotiations seeking regulatory certainty. President Sheinbaum and Economy Minister Marcelo Ebrard have consistently argued that extending the agreement would provide the long-term legal predictability necessary to sustain investment associated with nearshoring and regional supply chains. Ebrard has been explicit on this point: if the political decision were to terminate the treaty, negotiations would not still be under way. From Mexico's perspective, the value of the USMCA lies not only in preferential market access but also in the stable legal framework it provides for investors making long-term manufacturing decisions. Mexico's compliance with USMCA rules of origin rose from 48.6 to 75.1 per cent in a single year, and the country has imposed tariffs of up to 50 per cent on more than 1,400 products from countries without trade agreements — principally China — in order to address concerns that it might otherwise serve as a backdoor for Chinese goods entering the US market.

Mexico's recent export performance has added an additional dimension to the negotiations. Exports grew 25.4 per cent year-on-year in May to $69.5 billion dollars, with the year-to-date figure up 22.6 per cent. Some of the acceleration — particularly in non-automotive manufactured goods, where annual growth rates reached as high as 45.8 per cent in some months — may be front-loading by US importers seeking to build inventory ahead of potential tariff increases and some is related to the data center and computer equipment boom in the US. More importantly, intermediate goods imports, which feed the export-oriented manufacturing sector, also rose 29.8 per cent in May, with value-added impact of exports on Mexico's GDP thus far lower than export growth per se, once rapid import growth is subtracted. Mexico's monthly surpluses are modest relative to the scale of bilateral trade, reflecting the integrated co-production nature of the relationship rather than a straightforward export-driven model.

Most analysts and exporters have already priced in the 10-year annual-review scenario as the more likely outcome, in part for procedural reasons: the formal rounds have in practice been bilateral — Mexico and the United States — with Canada largely absent from the table despite having requested renewal. President Trump has added to the uncertainty, remarking that the United States would 'do better without' the agreement even as he conceded he 'may sign it', while the prospect of Washington striking a bilateral understanding with Mexico has raised concern in Congress about Canada's place in any eventual deal.

The review is taking place alongside the broader protectionist evolution of US trade policy. The Trump administration continues to rely on tariffs and other measures that operate independently of the USMCA itself. Approximately one third of Mexican goods that comply with USMCA rules of origin remain affected by Section 232 measures, with steel tariffs having risen to 50 per cent; a Section 301 investigation into alleged manufacturing overcapacity adds further uncertainty. The measures subject to Section 232 extend beyond steel to aluminium, also at 50 per cent, automobiles and auto parts at 25 per cent, and more recently copper; because they sit outside the agreement, they bite even on goods that fully satisfy USMCA rules of origin. Mexico has made clear it will not indefinitely absorb them passively, with President Sheinbaum signalling that her government is prepared to respond with countermeasures of its own should the tariffs persist or widen.

Beyond the durability of Section 232 and possible formal incorporation of such tariffs (albeit reduced) within USMCA, among the most consequential issues on the table are the rules of origin, particularly in the automotive sector. The agreement currently requires vehicles to source 75 per cent of their content by value from North America to qualify for tariff-free treatment, alongside a labour value content rule under which 40 per cent of a vehicle's content must be made by workers earning at least $16 an hour (ie, USA/Canda). The United States is now pressing to raise that regional threshold to 82 per cent and, more significantly, to require that 50 per cent of a car's content originate specifically in the United States rather than the region as a whole, with similar demands perhaps extending to further categories of car parts and to other industries such as electronics. For Mexico, a US-specific content rule marks a departure from the regional free trade that has underpinned North American manufacturing since NAFTA, and is likely to be among the hardest demands to accommodate.

A further priority for Washington is likely to be pressure on its partners to harden the region's external front against China. US negotiators are expected to push Mexico and, to the extent it remains at the table, Canada to maintain — and in places raise — tariff and non-tariff barriers on Chinese goods so that they sit at least as high as the duties the United States itself imposes, closing the gap that might otherwise allow Chinese products to reach the US market through the back door. The logic is one of a 'Fortress North America': a common external posture towards non-market economies, reinforced by tighter rules of origin and anti-transshipment provisions. Mexico has already moved in this direction, having levied tariffs of up to 50 per cent on more than 1,400 products from countries without trade agreements, but the United States is likely to seek firmer, treaty-level commitments rather than unilateral measures that could later be reversed.

For businesses, the principal implication is that regulatory uncertainty is likely to persist beyond the review's formal launch. The process is expected to unfold over many months through technical working groups, ministerial meetings and political negotiations covering areas such as digital trade, customs facilitation, agriculture, energy, labour and environmental cooperation. The next ministerial round is scheduled for 20 July in Mexico City. While most of these discussions are unlikely to generate immediate legal changes, they will provide increasingly clear indications of each government's negotiating position and room for maneuver.

Chatter box

A New Ambassador: President Sheinbaum announced she is nominating Esteban Moctezuma to be Mexico's Ambassador to the European Union, Belgium, and Luxembourg. The Senate's Committee on Political and International Affairs is expected to receive the formal nomination from the presidency this week, with a committee session scheduled for Wednesday to analyse the appointment; Moctezuma will subsequently be summoned to appear before the committee prior to a ratification vote by the Permanent Commission. Moctezuma most recently served as Mexico's Ambassador to the United States, a post he vacated earlier this month when economist Roberto Lazzeri took over amid preparations for the USMCA review.

The appointment reflects the government's intention to strengthen direct engagement with EU institutions at a moment when the modernised EU-Mexico Global Agreement is approaching the ratification process and Brussels is assuming a more prominent role in trade, digital regulation and sustainability.

Seeking Candidates: Morena received a record 277 applications to compete for the party's 2027 gubernatorial nominations across the 17 states holding elections next year. The National Elections Commission will begin reviewing the applications after the World Cup, conducting a first screening to verify that applicants comply with the eligibility requirements established in the party's internal rules before determining which candidates advance to the polling stage.

The process reflects Morena's effort to institutionalise its candidate selection procedures ahead of the 2027 electoral cycle. Beyond standard registration requirements, the party has incorporated stricter integrity criteria, including restrictions on candidates with criminal records, gender-based violence sanctions, outstanding child-support obligations and close family ties to incumbent governors, reinforcing recently adopted internal rules aimed at curbing nepotism and strengthening the legitimacy of the selection process.

Washington's Informants? A *New York Times* report has added a new dimension to the debate over US investigations into Mexican politicians, alleging that at least ten Morena officials have privately provided information to US authorities regarding other members of the ruling party. According to the report, the contacts were encouraged by the US Drug Enforcement Administration (DEA) and form part of a broader effort by Washington to expand intelligence gathering on organised crime and alleged political links in Mexico. The report lands at an uncomfortable moment for the Sheinbaum administration, which has sought to frame recent US investigations and visa revocations as politically motivated while simultaneously defending bilateral security cooperation. Morena dismissed the allegations as part of a media campaign against the government, but the episode reinforces the perception that US authorities are leaning on multiple institutional and political channels inside Mexico as investigations broaden beyond Sinaloa. Whether the allegations prove accurate or not, they are likely to fuel further debate over sovereignty, intelligence cooperation and the management of the bilateral security relationship.

Another Stay-At-Home Game Day: President Sheinbaum has published a new decree extending remote working arrangements across the Federal Public Administration in Mexico City for 30 June, when Mexico faces Ecuador in the World Cup. As with previous match days, the measure also suspends classes at SEP-administered educational institutions in the capital while requiring essential public services — including healthcare, public security, civil protection, migration, customs, telecommunications, energy and transport — to continue operating in person.

By relying on flexible working arrangements instead of mandatory business closures, the administration seeks to reduce congestion while maintaining continuity in critical public services. The repeated use of executive decrees also provides an early example of how temporary administrative measures can be deployed to manage large-scale international events without requiring legislative changes to Mexico's labour framework.

New political parties: Somos México and PAZ, the two new INE-approved political parties, must now win at least 3% of the valid vote in the 2027 federal deputies election, and must do so without coalitions in their first contest, to keep their registry. This will not be easy: only about a third of newly approved parties have kept their registry over the past 25 years. Somos México is a liberal, centre-left opposition project, built from the old PAN-PRI-PRD ecosystem and civic networks. Its language will be democracy, checks and balances, electoral institutions and anti-authoritarianism. PAZ, by contrast, is socially conservative, evangelical-rooted and a successor to the old PES. Its agenda is life, family, security and public morality, but its instinct is likely to be pragmatic: El País notes that PAZ has been cordial towards Morena, while Somos has positioned itself as outright opposition. If they survive, Somos may pull moderate anti-Morena voters from PAN or MC. PAZ could offer Morena or the Greens a conservative social bridge in selected districts. Both will likely seek to trade Congressional votes to bigger parties for concessions on issues they care about.

Banxico Expands Liquidity Options: Banxico has issued the operational rules governing its newly created facility to purchase government securities in the secondary market, which will become available starting on 17 August. The mechanism, introduced through amendments to Circular 8/2026, allows Banxico to conduct reverse auctions to purchase Cetes and Bondes F from financial institutions during episodes of temporary liquidity shortages, complementing its existing collateralised lending operations.

The central bank has been careful to distinguish the new instrument from quantitative easing programmes implemented by other major central banks. Banxico stressed that purchases will be limited to short-term government securities already circulating in the secondary market and will only be activated when necessary to preserve orderly market functioning. The reform therefore represents an operational enhancement of the central bank's liquidity management framework rather than a change in monetary policy or a mechanism to finance government spending.

Mexico Increases Assistance to Venezuela: President Sheinbaum confirmed that Mexico will send additional humanitarian aid to Venezuela following a formal diplomatic request from Acting President Delcy Rodríguez after last week's devastating double earthquakes. The request includes water purification plants, electricity generators and non-perishable food, which will be delivered through a combination of military airlift and naval transport coordinated by the Foreign Ministry and the Ministry of the Navy.

The assistance expands Mexico's disaster response beyond the deployment of military rescue teams and volunteer brigades already operating in Venezuela. While primarily humanitarian in nature, the response also reflects the continued diplomatic engagement between the two governments despite Venezuela's international isolation. Mexico has indicated that further support, including potential reconstruction assistance, will be assessed as emergency operations transition into the recovery phase.