

March 2024



Top Highlights

Commencement of Electoral Campaigns in Mexico. The electoral campaign period has officially started for candidates running for the presidency, Senate and House of Representatives, as well as candidates for governorships in nine states across the country. This election cycle will witness the competition for more than 20,000 positions at federal and local levels, making it the largest electoral event in Mexico's history.

Mexico to Expand Tariffs on Imports. The Minister of Economy, Raquel Buenrostro, announced that Mexico will increase the number of tariff classifications from 392 to 540, on which tariffs of 25 percent will be applied to countries with which Mexico does not have trade agreements, including China. This will extend to various sensitive sectors, not only steel but also aluminum, textiles, apparel and plastics.

Joint Announcement on Glyphosate Substitution in Mexican Agriculture. The Ministries of Economy, Environment and Natural Resources, Agriculture and Rural Development, in collaboration with the Federal Commission for the Protection against Sanitary Risks, have jointly announced that due to the absence of appropriate conditions to substitute glyphosate in Mexican agriculture, the main concern remains safeguarding the nation's agri-food security. As per the presidential decree issued in February 2023, the decision to refrain from granting authorizations and to proceed with the revocation of registrations depends on three pivotal factors: 1) the preservation of agricultural production, 2) the mitigation of potential repercussions resulting from substance replacement and 3) the availability of viable, health-conscious agroecological alternatives aimed at phasing out glyphosate entirely. While these initiatives are still in progress, the government is actively pursuing a substitute herbicide characterized by broad-spectrum efficacy and minimal toxicity compared to glyphosate. Moreover, concerted efforts are underway to identify options that are readily available in ample quantities and economically accessible to all agricultural producers.

Supreme Court Approves Maximum Cap on Afore Commissions. The Second Chamber of the Supreme Court of Justice (SCJN) approved the maximum cap of 0.57 percent commission that Retirement Fund Administrators (AFORE) charge workers to manage their retirement savings. The maximum cap was approved by Congress in November 2020, after passing a reform promoted by the federal government.

Mexico's Official Response to the Enactment of SB4 Law in Texas. In light of the enactment of Senate Bill (SB) 4 into law by Gov. Greg Abbott, granting state officials the authority to detain and deport migrants in Texas, Chancellor Alicia Bárcena confirmed that the Mexican government submitted an amicus curiae brief before the appeals court tasked with ruling on the constitutionality of SB4. Furthermore, she underscored Mexico's commitment to bolstering immigration controls along its border with the United States if SB4 is enforced. President Andrés Manuel López Obrador said that Mexico will refuse to accept individuals deported from Texas under this legislation. On March 26, 2024, the U.S. Court of Appeals for the Fifth Circuit ruled 2-1 to deny a motion from the state of Texas for a stay on the decision of whether it can enforce SB4.

Bank of Mexico Lowers Interest Rate. The Bank of Mexico (Banxico) Governing Board had decided to decrease the target for the Overnight Interbank Interest Rate by 25 basis points to a level of 11 percent, effective from March 22, 2024.



Congress Report

Bill on Paternity Leave Reform Approved by Senate Committees. The Committees on Labor and Social Welfare and Second Legislative Studies ratified the bill amending and adding various provisions of the Federal Labor Law and the Federal Law for State Workers. The bill increases the number of paternity leave days, up to 20 days, for workers from the birth of their children and in cases of infant adoption. Its approval in the full Senate is pending before being passed to the House of Representatives for analysis and discussion. Nevertheless, President Andrés Manuel López Obrador asked legislators to wait for the discussion of this bill (among other labor bills) until next Legislature (which starts in September 2024) because of the upcoming electoral process.

Approval of the General Law on Adequate and Sustainable Nutrition. The House of Representatives unanimously approved the enactment of the General Law on Adequate and Sustainable Nutrition. The primary objective of this legislation is to help ensure access to healthy and equitable nutrition, aiming to address the growing obesity epidemic in Mexico. The law establishes principles and foundations to promote, protect, respect and guarantee the effective exercise of the right to adequate nutrition, recognizing its interdependence with human rights. Additionally, commercial establishments are prohibited from discarding food that is still fit for human consumption. The bill has been forwarded to the federal executive for publication in the *Official Gazette of the Federation* and subsequent enforcement.



Executive Branch

Investments in Energy Infrastructure. The government of Baja California, along with the Federal Electricity Commission (CFE) and President Andrés Manuel López Obrador, announced a series of investments in energy infrastructure aimed at strengthening the country's electrical grid. The announcement includes the construction of three combined-cycle power plants for energy generation, with a projected investment totaling \$1.3 billion. Additionally, plans were revealed for the construction of a high-voltage transmission line linking the solar plant in the state of Sonora to Baja California. This infrastructure will not only integrate Baja California into the national electricity grid but also serve as a crucial distribution hub for the rest of the country. Alongside the solar plant in Peñasco (Plan Sonora), multiple plants are underway in Mexicali to meet the region's increasing energy demand.

Competition Enhancement Measures in Mexico's Jet Fuel Sector. The Federal Economic Competition Commission (COFECE) determined the existence of five barriers to free competition that generate restrictions on the efficient operation of primary and secondary markets, internal and external storage, as well as the sale of jet fuel. The relevance of the above is that COFECE recommended various governmental entities to increase regulation in this matter. Recommendations include the modification of agreements to facilitate jet fuel importation, enhancing access to external storage infrastructure and imposing limits on Petróleos Mexicanos' (Pemex) involvement in said infrastructure. Furthermore, the functional separation of Airports and Auxiliary Services (ASA) has been mandated to foster competition in secondary markets and supply. These measures aim to stimulate competition across the jet fuel value chain, ultimately benefiting consumers with improved pricing.

President López Obrador Extends Vehicle Regularization Decree. The government of President Andrés Manuel López Obrador announced an extension of the decree for the regularization of used vehicles of foreign origin, commonly referred to as "chocolate cars," until the end of his six-year term (September 2024). This initiative aims to allocate the resources obtained toward road infrastructure projects across various states. The states of Tamaulipas, Chihuahua and Baja California account for 50.8 percent of the resources obtained.



Elections

Key Dates

- **Federal Campaign Period:** March 1, 2024 – May 29, 2024
- **First Presidential Debate:** April 8, 2024

Presidential Polls. Nearly a month into the electoral campaigns, Claudia Sheinbaum, the candidate of Morena-PT-PVEM for the presidency, remains at the forefront of electoral preferences heading toward the election on June 2, 2024. According to the survey, Sheinbaum maintains a 60 percent voting intention. Meanwhile, Xóchitl Gálvez, the candidate of the coalition formed by PAN-PRI-PRD, remains in second place with a 24 percentage point difference. In third place is Jorge Álvarez Máynez, of the Citizens' Movement (MC). Nevertheless, the gap between Sheinbaum and Gálvez has narrowed slightly in the last few months, according to different polls. It is worth noting that historically, there has typically been an average difference of 10 percentage points to 20 percentage points between the presidential electoral results and polling data.

Presidential Candidate Electoral Proposals

1. **Sheinbaum's Main Proposals.** Sheinbaum, the candidate of the coalition "Sigamos Haciendo Historia (Let's Keep Making History)" (Morena-PT-PVEM), presented a set of 100 commitments to the electorate in her bid for the presidency. These commitments span across crucial sectors, including education, health, housing, social welfare and security. Notable among her proposals are the continuation of social programs initiated by President Andrés Manuel López Obrador, the introduction of a National Water Plan (including the reduction of water concessions), advocacy for nearshoring and a commitment to raising the minimum wage in collaboration with the private sector. Additionally, she advocates for the construction of sustainable energy plants, the advancement of electric transportation systems, a judicial reform agenda and a pledge to refrain from incrementing gasoline, electricity and gas prices.

Consideration. Sheinbaum's platform aligns closely with the social and left-leaning policy orientation of the current administration, with a different approach that includes putting more emphasis on combating climate change and promoting renewable energy sources.

2. **Gálvez's Main Proposals.** Gálvez, representing the coalition "Fuerza y Corazón por México (Strength and Heart for Mexico)" (PRI-PAN-PRD), presents a vision that includes the construction of a new maximum-security prison, expansion and reform of the National Guard, and bolstering support for state and municipal law enforcement agencies. Her agenda also places a high priority on addressing the issue of missing persons and establishing a National Victim Care Fund endowed by assets seized from organized crime. Gálvez aims to prioritize the growth and development of small and medium-sized enterprises, promote nearshoring initiatives, and enhance water management and distribution systems nationwide.

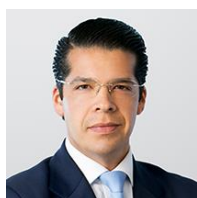
Considerations. Her approach appears more receptive to private sector involvement in economic sectors and adopts a more technocratic stance.



- 3. Álvarez Máynez's Main Proposals.** Álvarez Máynez, running under the banner of the "Movimiento Ciudadano (Citizens' Movement)," proposes a fresh approach to security strategy, improvements in the working conditions of the armed forces, regulation of substances such as cannabis, a reversal of militarization, comprehensive welfare programs for youth, government decentralization and the continuity of existing social welfare initiatives.

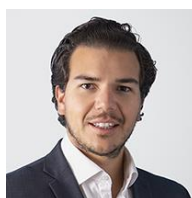
Consideration. Álvarez Máynez's platform reflects a reformist, youthful and progressive ideology, in line with the values of his party.

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