

May 2024



Top Highlights

The United States-Mexico-Canada Agreement (USMCA) review preparation and trilateral cooperation are underway. The Mexican government, in collaboration with the private sector, established a working group to prepare for the first review of the USMCA, which is scheduled for 2026. This high-level body will oversee the efforts of government technical groups and the private sector's advisory group regarding the treaty review. Unless the three countries agree to extend the agreement during the joint evaluation following the presidential elections, the treaty will expire after another 10 years.

Additionally, on May 22, 2024, Mexico's Secretary of Economy Raquel Buenrostro, U.S. Trade Representative Katherine Tai, and Canada's Minister of Export Promotion, International Trade and Economic Development Mary Ng, convened for the fourth Free Trade Commission (FTC) meeting of the USMCA. The three officials reviewed ongoing work to enhance trilateral cooperation under the treaty, addressing issues such as agricultural biotechnology, textile and apparel trade, technical barriers to trade, regulatory best practices, state-owned enterprises and designated monopolies, and small and medium-sized enterprises. They also discussed inclusive trade, environmental concerns, North American competitiveness and cooperation to ban the import of goods produced with forced labor. Moreover, Tai also emphasized the importance of advancing discussions on Mexican energy measures and the enforcement of environmental laws related to fishing under the environmental chapter of the treaty.

President Andrés Manuel López Obrador meets with White House advisor to discuss security and migration. President López Obrador met with U.S. Homeland Security Advisor Elizabeth Sherwood-Randall in Mexico to discuss migration and security issues within the framework of U.S.-Mexico relations. During the meeting, the Mexican president emphasized the significant agreements made for the benefit of both nations and the importance of the bilateral relationship. Additionally, he noted that his government had requested the meeting with President Joe Biden to discuss economic cooperation, security and migration.

The Bank of Mexico (Banxico) maintains interest rate amid economic pressures. Banxico opted to maintain the interest rate at 11.25 percent, continuing the pause in rate hikes that have been in effect since May 18, 2024. The decision made by Banxico's Governing Board comes after nearly two years of consecutive increases in response to high inflation.



Congress Report

Progress has been made on Mexico's new General Water Law by Supreme Court of Justice of the Nation (SCJN) president. Minister Norma Piña Hernández, president of the SCJN, has set a deadline of 10 days for the House of Representatives and the Senate to provide written updates on the progress toward the publication of the new General Water Law. As a result, the House's Hydraulic Resources Committee has approved the calendar for drafting of the General Water Law. In July, three regional forums will be held for discussions on the matter, and it is anticipated that the bill will be presented to Congress (*Mesa Directiva*) in August.



Legislators call for electricity supply restoration and investment. In response to the electricity consumption overload due to rising temperatures across the country, various legislators from different political parties have urged authorities to help ensure the restoration and supply of electricity to all individuals affected by power outages in different states, as well as to increase investment to strengthen the national electrical system to help ensure that demand is met.



Executive Branch

A decline in tax revenue is reported at Mexican customs in the first quarter of 2024. Tax revenue at Mexican customs experienced a real annual decline of 10.38 percent during the first quarter of 2024, due to the strength of the *peso* against the dollar and other currencies, as well as decreased external demand. According to data from the National Customs Agency of Mexico (ANAM), between January and March 2024, cash flow revenue at the country's 50 customs points (land, maritime and air) was 267.26 billion *pesos*, compared to 279.81 billion *pesos* during the same period the previous year. This situation could pose a challenge for the next administration in terms of public finances.

Mexico's government increases employment subsidy. Through a decree published in the *Official Gazette of the Federation (DOF)*, the Mexican government raised the employment subsidy to 390 *pesos* per month for all workers whose monthly salary does not exceed 9,081 *pesos*, with the purpose of reducing the income tax (ISR) they owe.

Government removes tariffs on foreign aluminum. The Mexican government eliminated the 20 percent to 35 percent tariffs imposed on foreign aluminum imports, initially established on April 22, 2024, due to the lack of domestic production in this sector. This measure was taken considering the absence of domestic production of primary raw aluminum and the insufficient availability of this merchandise in countries with which Mexico has trade agreements.

Tax incentives for development and nearshoring are now available in Mexico. The Ministry of Finance and Public Credit (SHCP) published a web page detailing some tax incentives granted by decree. These include tax incentives for the Welfare Development Poles (PODEBI) in the Isthmus of Tehuantepec and tax incentives to attract investments through the relocation of companies to Mexico (nearshoring).



Elections

Election Day is scheduled to take place on Sunday, June 2, 2024.

Electoral Ban. A few days before the Mexican elections are held, the electoral campaign that began on March 1, 2024, has concluded, making way for the second electoral ban that started on May 30. This ban seeks to give citizens time to consider their voting options, limiting public officials' from making public statements on the elections.

Presidential Debate. The third presidential debate, titled "Democracy and Government: Constructive Dialogues," gathered significant attention with a total audience of 13.9 million individuals, as reported by the National Electoral Institute (IFE). The debate centered around four main topics: migration and foreign policy, democracy, pluralism and division of powers, insecurity and organized crime, and social policy. Various post-debate polls conducted identified Claudia Sheinbaum (Morena-PT-PVEM) as the frontrunner, with Xóchitl Gálvez (PAN-PRI-PRD) and



Jorge Álvarez Máynez (MC) securing second and third place, respectively. Despite the three presidential debates, the majority of the polls continue to position Sheinbaum as the potential winner of the presidential elections.

Possible Integration of Sheinbaum's Cabinet. Claudia Sheinbaum, the presidential candidate of the coalition Morena-PT-PVEM, indicated that the Minister of Finance and Public Credit Rogelio Ramírez de la O could be part of her cabinet if she wins the elections on June 2, to once again oversee the country's financial matters.

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