



Does the judicial reform threaten impartial justice in Mexico?

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México, ¿cómo vamos?

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Does the judicial reform threaten impartial justice in Mexico?

On February 5, 2024, during the commemoration of the Constitution of the United Mexican States, President López Obrador presented an ambitious package of reforms, 18 of which were constitutional, requiring approval by a qualified majority in the Congress of the Union (Chamber of Deputies and Senate), as well as the support of the majority of state congresses. At that time, the configuration of Congress was not favorable to him, leading to the postponement of discussions on the reforms that required a qualified majority.

However, following the results of the June 2, 2024 elections, the ruling coalition appeared to be on track to secure the qualified majority. On August 28, the Electoral Tribunal of the Federal Judiciary (TEPJF) ratified the decision of the General Council of the National Electoral Institute (INE), confirming the qualified majority in the Chamber of Deputies for the coalition "Sigamos Haciendo Historia" (Morena, PVEM, and PT). In the Senate, following the adhesion of two PRD members to Morena, they are now just one senator short of having the capacity to amend the Constitution.

In this context, the proposed judicial reform has generated a variety of reactions from civil society, business chambers, trade partners, law students from public and private universities, financial analysts, and rating agencies, among other key stakeholders.

At *México, ¿cómo vamos?* we have compiled these positions with the aim of fostering an open and constructive dialogue with the Congress of the Union about this crucial reform, which proposes selecting ministers, magistrates, and judges through popular vote, following the fulfillment of specific requirements and nomination by the powers of the Union.

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Think Tanks

- **México, ¿cómo vamos?** “The reform contradicts the USMCA in terms of trade integration (chapters 2, 18, 21, and 22) and labor (chapter 23). It also allows special interest groups to interfere in the administration of justice in Mexico, compromising the defense of human rights and quality of life.”
- **México Evalúa** “The reform will have an economic impact that has not been fully measured and could position Mexico as a high-risk country for investment.”
- **Mexico Institute, Wilson Center** “If approved, these reforms could weaken Mexico’s regulatory landscape, degrade its investment climate, and challenge regional competitiveness, jeopardizing billions in US and Canadian investments.”
- **Centro de Estudios Económicos del Sector Privado, (CEESP)** “Uncertainty and distrust about the economy continue to grow in light of the weakening trends in key economic indicators, a potential stagnation in the U.S. economy, and, particularly, the increasing concern over the potential consequences of the approval of Plan C.”

USMCA members

- **Ken Salazar** “I believe faith and trust in the rule of law are one of the many shared values which unite our nations, while for the private sector, they lay the groundwork for building confidence and inspiring investment in a stable and predictable environment.”
- **Graeme C. Clark** “The trust link between investors and the Mexican government may be affected” and confirmed that Canadian investors have expressed concern over the judicial reform in Mexico.

Business chambers

- **Coparmex** “The possibility of electing judges and magistrates through popular vote, as proposed in the reform, is a major concern. This proposal could compromise judicial independence, a fundamental pillar of our democracy.”

- **AMCHAM** "...we see risks to judicial independence in the Judicial Reform, as well as the potential for delays in the professionalization of specialized justice, increased costs, reduced effectiveness of the judicial system, and the creation of uncertainty for investment."
- **CANCHAM** "... expresses the concerns of the business community and Canadian capital investors it represents, regarding the constitutional initiative to reform the Judicial Branch and the dissolution of various autonomous bodies."
- **Consejo Coordinador Empresarial (CCE)** "The failures in the justice system, which no one can deny, severely undermine harmonious coexistence. We know this and see it confirmed every day. That's why we cannot afford to make mistakes."

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International media, analysts, and human rights organizations

- **New York City Bar, Vance Center for International Justice e Inter-American Affairs Committee** "... (The reform) raises critical questions about the potential politicization of the judiciary, the reduction in judicial independence, and the efficiency of the judicial system."
- **Washington Post** "Mr. López Obrador's plan could also halt the economic integration of North America".
- **Gerardo Esquivel for Milenio** "In the markets and the private sector, there is significant concern about the direction the judicial reform may take. Numerous investments, and consequently the creation of many jobs, depend on the decisions made by the judiciary. Therefore, a reform that reduces the independence of the judiciary could have an additional negative impact on an already weak level of productive investment."
- **WOLA** "... the proposed judicial reform would lead to the continuation and deepening of patterns of impunity and abuse against the population."
- **Margaret Satterthwaite, Relatora Especial de la ONU** "If the goal is to strengthen independence and the ability to prevent corruption, resist corruption, I believe that strengthening the existing bodies that guarantee the independence of the judicial system would be the most obvious approach in Mexico, rather than eliminating a system and replacing it with another."

Rating agencies and the financial system

- **Fitch Ratings** "The potential for imminent economic, regulatory and judicial reforms in Mexico has led to heightened investor uncertainty and increased short-term market volatility."
- **S&P Global** "Hindering those counterweights weakens certainty, which is valuable for companies when evaluating their investments in the country."
- **BBVA** "The reform will impact their growth forecasts and add uncertainty to this year's monetary policy decisions."
- **Banco Base** "Among the economic impacts of the reform that most affect North American labor integration are:
 - economic growth due to fixed investment job creation and exchange rate volatility."
- **Morgan Stanley** "We believe that replacing the judicial system would increase Mexico's risk premiums and limit capital investments. This is a problem as nearshoring is hitting key bottlenecks."

- **Bank of America** They acknowledge that 2025 will be a year of political uncertainty in both Mexico and the United States. Among the events they will closely monitor is the judicial reform, as it could impact the currency and the country's economic growth.
- **Citibanamex** "The president's judicial initiative does not eliminate the country's system of courts and judges, but it subjects it to the impossible challenge of being restructured based on majority validation at the polls, risking the collapse of the judicial function."
- **UBS** "Mexico has built a reputation for fulfilling its international commitments. Maintaining this reputation is crucial to seizing the opportunities offered by nearshoring. However, the proposed constitutional reforms include changes that could violate international treaties."

Universities, student societies, and academia

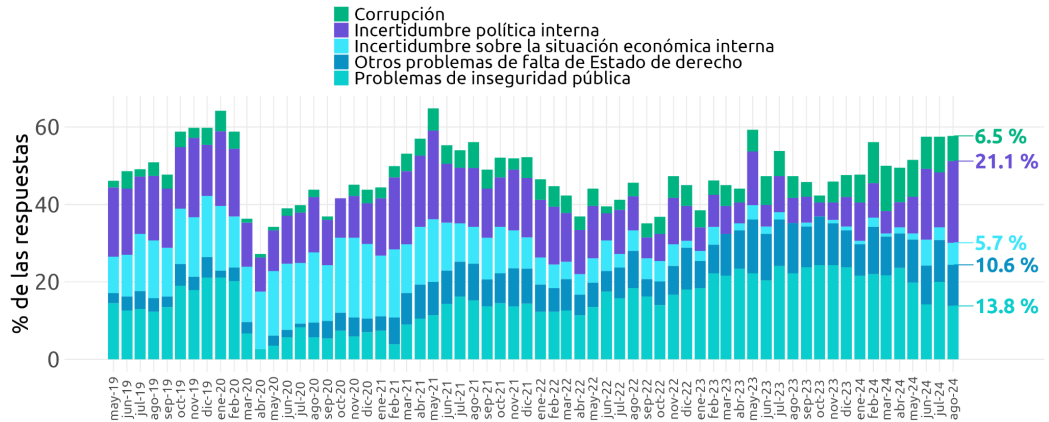
- **Joint statement from Law Student Societies** "The current direction of the reform undermines the democratic system and the separation of powers, which are fundamental to our society. Constitutional reforms must guarantee citizens' rights and the rule of law. The development of judicial reform should prioritize mutual understanding without compromising judicial independence."

Specialists in the private sector surveyed by the Bank of Mexico have expressed concerns about the investment climate in the country.

Internal political uncertainty is seen as the greatest risk to Mexico's economic growth. In the August 2024 Banxico survey, one-fifth of respondents expressed concern about internal political uncertainty. This concern is associated with proposed constitutional reforms that include changes to the selection of Supreme Court justices, magistrates, and judges, the elimination of the National Institute for Transparency, Access to Information, and Data Protection (INAI), which protects personal data and ensures access to public information, and the elimination of autonomous bodies like the Federal Telecommunications Institute (IFT), the Federal Economic Competition Commission (COFECE), and the Energy Regulatory Commission (CRE), are putting key trade agreements like the United States-Mexico-Canada Agreement (USMCA) at risk.

Factores que podrían obstaculizar el crecimiento de la actividad económica en México

¿Durante los próximos seis meses, cuáles serían los tres principales factores limitantes al crecimiento de la actividad económica?

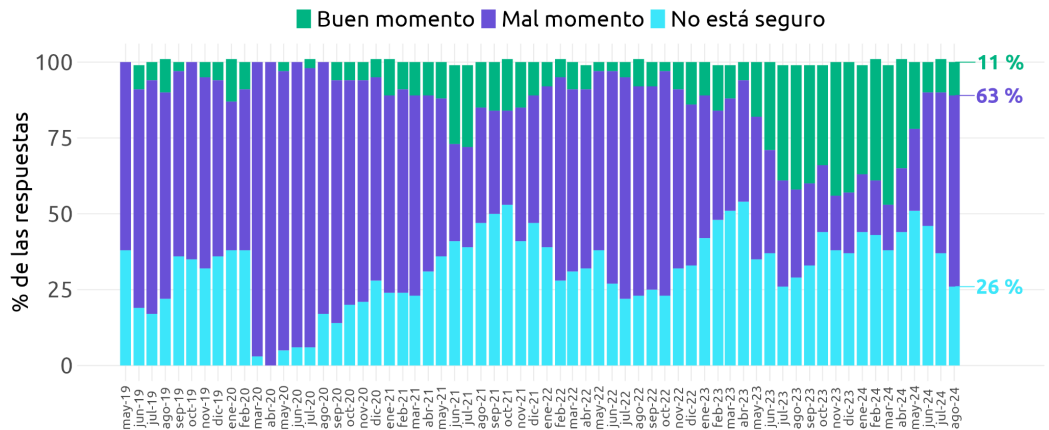


ELABORADO POR MÉXICO, ¿CÓMO VAMOS? CON DATOS DE BANXICO.

Sixty-three percent of respondents currently believe it is a bad time to invest in Mexico. In the March 2024 survey, only 15% shared this view, in a political context that favored Claudia Sheinbaum as the future president. However, in just five months, this indicator deteriorated by 48 percentage points, reflecting a significant increase in the perception of risk and uncertainty for investments in the country.

Coyuntura actual para realizar inversiones

¿Cómo considera que sea la coyuntura actual de las empresas para efectuar inversiones?



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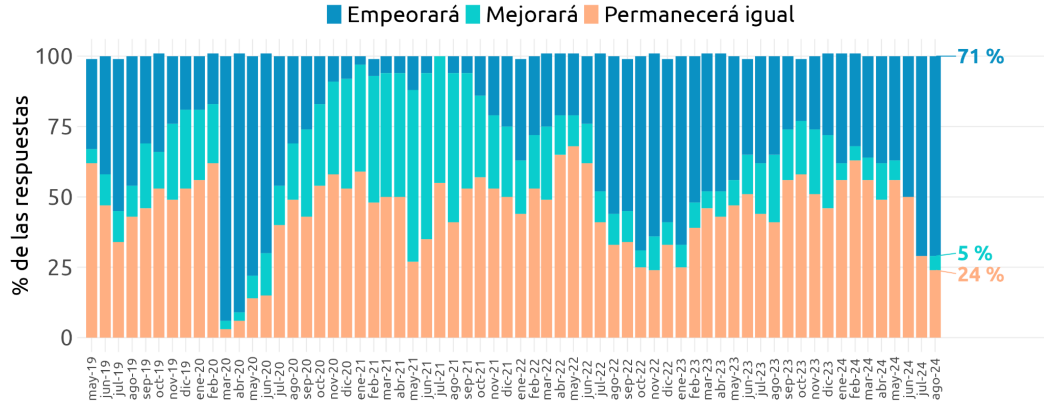


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The majority of private sector specialists anticipate a deterioration in the business climate over the next six months. At the end of 2023, only 29% of respondents expected a worsening during this period; however, by July and August 2024, this figure had risen to 71%, up from 50% in the June survey. This increase reflects growing concern over the political conditions in the country.

Clima de negocios en los próximos 6 meses

¿Cómo considera que evolucione el clima de negocios para las actividades productivas del sector privado en los próximos seis meses en comparación con los pasados seis meses?

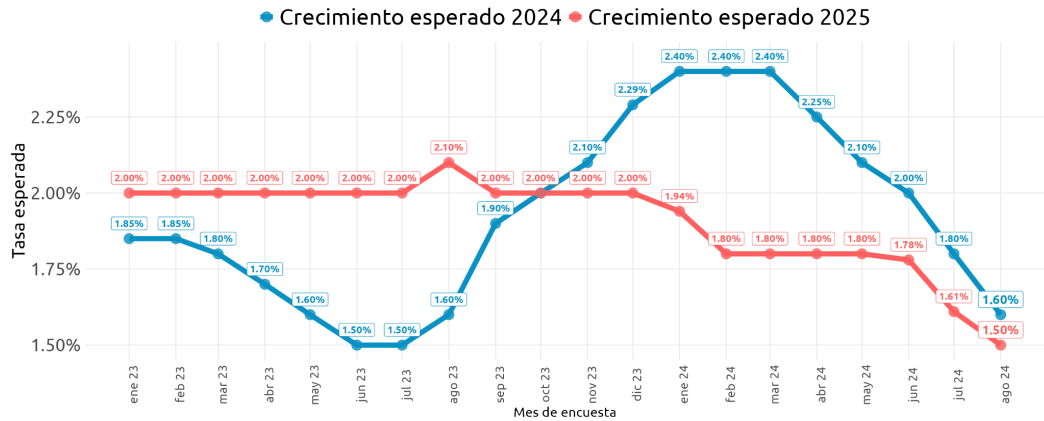


ELABORADO POR MÉXICO, ¿CÓMO VAMOS? CON DATOS DE BANXICO.

Reduced investment leads to limited economic growth and insufficient creation of quality jobs. In January 2024, a 2.40% growth was expected for the year, driven by nearshoring, U.S. growth, and increased public spending. However, factors such as slower growth in the U.S., the need for fiscal consolidation, and the uncertainty generated by the constitutional reforms known as Plan C have lowered the growth expectation for 2025 to just 1.5% YoY.

Crecimiento económico esperado

Encuesta Banxico de expectativas de especialistas en economía del sector privado



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