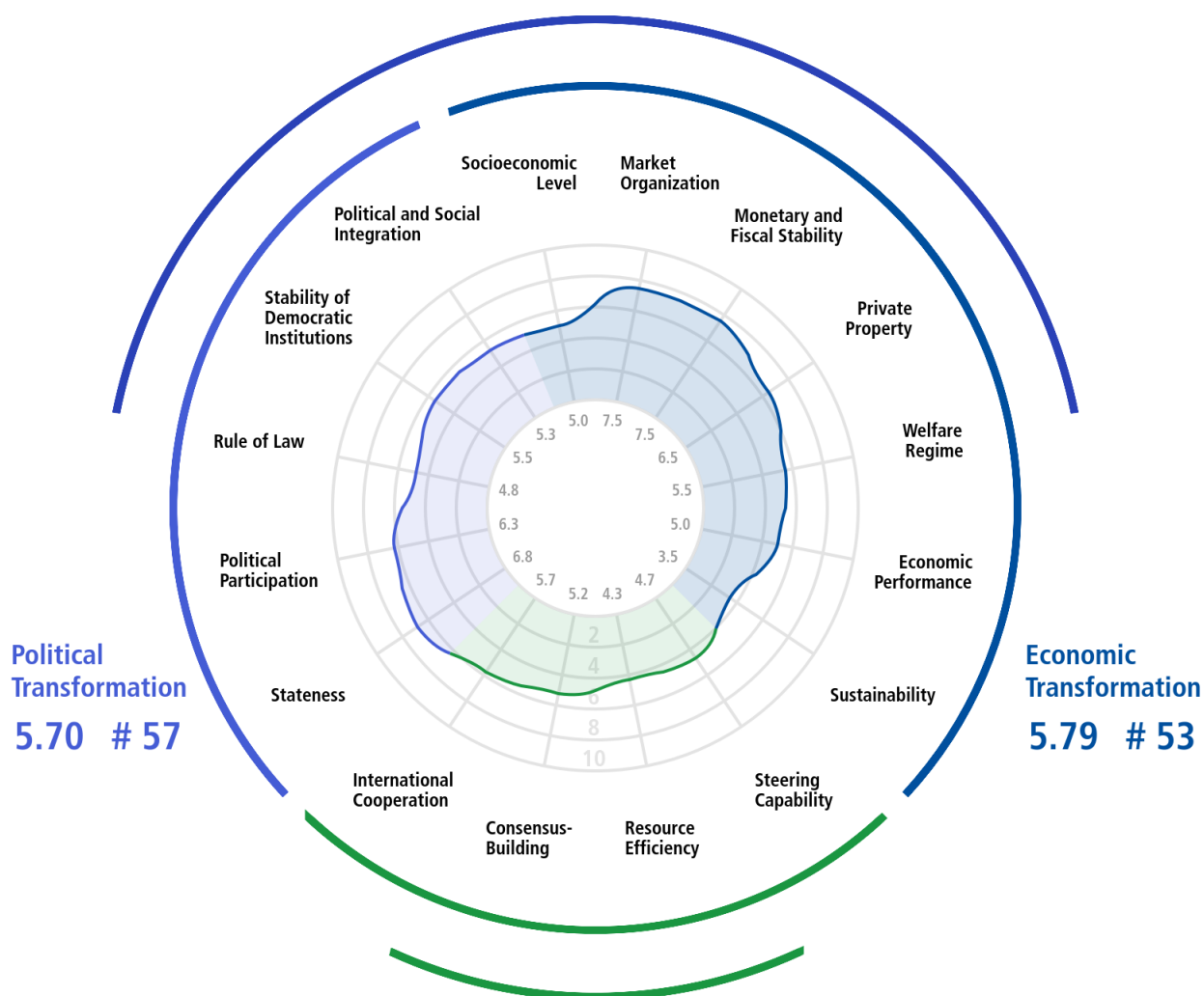


Mexico

Status Index

5.74 # 56

on 1-10 scale out of 137



Political Transformation
5.70 # 57

Economic Transformation
5.79 # 53

Governance Index

4.40 # 82

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2024. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	127.5	HDI	0.758	GDP p.c., PPP \$	21512
Pop. growth ¹	% p.a.	0.6	HDI rank of 189	86	Gini Index	45.4
Life expectancy	years	70.2	UN Education Index	0.720	Poverty ³	% 9.9
Urban population	%	81.3	Gender inequality ²	0.309	Aid per capita \$	4.4

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Andrés Manuel López Obrador (commonly called AMLO) promised a Fourth Transformation – a revolution against insecurity, corruption and inequality. He pledged to reduce the military’s role in the drug war and to confront the root causes of violence. In practice, however, his administration has not deviated much from the practices of previous presidencies and has continued to pursue a neoliberal economic agenda. Corruption continues to be rampant, social inequalities persist, and the war on drugs continues to have heavy military involvement and claim lives.

Drug cartels continue to hold significant influence in politics and dominate some territorial areas. The president has been criticized for having a practically nonexistent security policy. There are even indications that the recent subnational electoral victories of MORENA, the president’s party, were supported by criminal groups. Instead of reducing the militarization of the drug war, AMLO has expanded the military’s role in internal security and transferred control of the National Guard away from civilian hands to the army, which runs counter to the constitution and is being deliberated by the courts. The military’s role has also extended into economic activities (e.g., the construction of the Mayan Train, customs, ports, etc.). For the first time in modern Mexican history, the army holds real power, which could eventually threaten civilian authorities.

AMLO is well-known for attacking critics and continues to pursue a political strategy of consolidating power in the executive branch. Although MORENA and its satellite parties lost their supermajority in the 2021 legislative election, they still maintain a simple majority, which allows them to pass legislation with the exception of constitutional reforms. The government is impeding accountability institutions through takeovers and funding reductions, or even attempts to eliminate them entirely. In late 2022, Congress approved AMLO’s “Plan B,” which diminishes the resources devoted to election oversight institutions and significantly impairs their effectiveness. The Supreme Court is currently deliberating legal appeals against the reform package. In recent years, the Supreme Court, which includes four of AMLO’s nominees, has consistently ruled in favor of the government. However, this could change with the newly appointed Supreme Court president, who appears to be independent.

The president also continues to attack critical journalists on a daily basis and is highly suspicious of autonomous organizations. He often clashes with anti-corruption groups, human rights organizations and women's groups (among other associations) and has pulled funds from CSOs, while threatening to abolish some and integrate their functions. It was expected that the leftist MORENA movement would support the politically left-leaning demands of Indigenous people, women, the LGBTQ+ movement and environmentalists; however, the presidency considers these groups to be adversaries. While AMLO's actions have eroded democratic life, he continues to enjoy enduring popularity, with approval levels above 60%.

Economically, except for macroeconomic measures guided by the Bank of Mexico and the Secretariat of the Treasury and Public Credit, the president's investment decisions are guided by political motives. The government directly awards most major public project contracts to the army or national enterprises without public competition. The economy has not shown improvement under AMLO's leadership. Throughout the COVID-19 pandemic, Mexico pursued a strict path of austerity in order to avoid accumulating budget deficits. Nevertheless, public debt increased by 5 percentage points between 2019 and 2021, the budget deficit rose to nearly 4% of GDP in 2022, and the account balance had deteriorated significantly by August 2022. The country is not expected to recover to the 2019 GDP level until late 2022 or early 2023. Additionally, although AMLO professes to pursue an anti-neoliberal economic agenda, capital freedom remains intact in all economic sectors except for the energy sector, and Mexico entered into a new free trade agreement, similar to NAFTA, with the United States and Canada.

History and Characteristics of Transformation

The enduring characteristic of the Mexican state from 1929 to 2000 was the existence of a hegemonic political party – the PRI – that controlled most social organizations. The PRI regime emerged from the Mexican Revolution (1910 – 1917) and, drawing on the 1917 constitution, leveraged the symbolic power of the revolution as a source of its legitimacy and justification for its wide-ranging intervention in the economy. The three decades following the beginning of World War II were a golden age for Mexico, known as the Mexican Miracle. However, by the end of the 1960s, economic momentum began to falter, and public discontent with the political regime grew. The student movement manifesting this discontent was subject to violent suppression between 1968 and 1971.

In the 1970s, economic prosperity came to an end as the import substitution model reached its limits, culminating in the debt crisis of 1982. The financial crisis, coupled with pressure from international financial institutions, led Miguel de la Madrid's government (1982 – 1988) to liberalize the economy. The following governments (1988 – 2000) continued this economic course. Significant steps toward liberalization included the signing of the North American Free Trade Agreement (NAFTA) and Mexico's admission to the OECD in 1994. The 1994 Zapatista uprising symbolized the rejection of these policies by those who were to lose out from the neoliberal economic strategy. Increasing discontent with the PRI's single-party rule fueled support for opposition parties in the 2000 elections – the right-wing National Action Party (PAN) and the left-wing Party of the Democratic Revolution (PRD).

Riding the wave of anti-PRI frustration, PAN candidate Vicente Fox won the 2000 presidential election. Although his victory drew expectations of change, Fox failed to establish more democratic institutions and continued to apply the orthodox liberal economic model. His government's social assistance policies did not significantly reduce poverty and inequality. This set the stage for polarization between the benefactors and losers of Mexico's economic model. In the highly polarized 2006 elections, PAN candidate Felipe Calderón won by a slim margin (0.56%). PRD candidate AMLO denounced the elections as fraudulent, declared himself the legitimate president, and launched a movement of resistance against the incoming government. This political crisis probably influenced President Calderón's decision to deploy the army in the drug war in order to gain legitimacy and demonstrate that he had the support of the army.

Since then, the drug war has become Mexico's primary challenge, with violence escalating to unprecedented levels. With the 2012 election of Enrique Peña Nieto, the PRI returned to power after 12 years in opposition. After a promising first year of political accomplishments and economic growth, the Tlatlaya and Ayotzinapa massacres, corruption scandals, and the plummeting price of oil halted the government's reform efforts. During its final two years in office (2017 – 2018), the PRI implemented its policies but failed to enact any substantial changes.

The 2018 general elections marked a pathbreaking moment in Mexico's recent history as a left-leaning party – the Movement for National Regeneration (MORENA) – won for the first time since the transition to democracy in 2000. The new president, AMLO, proclaimed the “end of neoliberalism” and a “Fourth Transformation” that would put an end to corruption, violence and poverty. However, AMLO has not in fact deviated much from the previous economic model, aside from increasing state intervention in the energy sector, and has sought to concentrate power in the presidency.

During the COVID-19 pandemic, the government declined to implement public policy to mitigate the economic impact of the crisis and instead opted to impose austerity measures due to limited financial resources and an aversion to incurring debt. Although the health care system did not officially collapse, hospitals faced overwhelming pressure and had to reject patients. Mexico experienced one of the highest death rates in the world due to COVID-19.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force continues to be challenged both by organized drug crime and ordinary crime. AMLO has vowed to reduce the drug cartels' control through social policies aimed at young people, who are easy prey for criminal groups that provide an economic livelihood. The economic consequences of the pandemic made even more youth available for gangs. Since there is near-total impunity in Mexico, with 97% of crimes going unpunished, the risk of being caught by the authorities is slight. The current government's social policies, if successful, are designed for the long term.

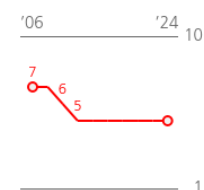
Guerrero, Sinaloa, Tamaulipas, Michoacán, Veracruz, Quintana Roo, Chihuahua and, more recently, Jalisco are all states where drug cartels are very strong or control most of the state. In some cases, they have taken over state functions by distributing food and goods. The *Cártel de Jalisco Nueva Generación* (CJNG) has expanded its presence in Guanajuato and other areas formerly controlled by the Sinaloa cartel. There are also major cartel activities and even cartel wars in Mexico City – for example, between the CJNG and *Unión Tepito*. The resilience of civil society is diminishing day by day in the most affected regions.

The homicide rate decreased slightly from 26 to 25.2 per 100,000 inhabitants between 2021 and 2022; however, the absolute number of murder victims surpassed 30,000 for the fifth consecutive year. Just days after AMLO congratulated himself for this modest decline, 25 members of the Sinaloa cartel escaped from a jail in Ciudad Juárez, resulting in the deaths of 10 guards and security officers in early January 2023. The jailbreak sheds light on the extent of narcos' control over the prison system and has sparked a debate on the president's nearly nonexistent security policy. Another compelling example of the drug cartels' influence is the 2019 release of Ovidio Guzmán López, also known as "El Chapo's" son, when the cartels threatened retaliation against the population of Culiacán, even targeting areas where military families resided. However, in early 2023, Ovidio was recaptured by the military and is currently awaiting extradition to the United States.

Question
Score

Monopoly on the
use of force

5



AMLO's security strategy has consisted of almost full reliance on the military, expanding its roles to an extent that may represent a future threat to democracy. However, the army is losing territorial control. U.S. pressure on the Mexican government to combat organized crime more effectively might oblige AMLO's administration to take a more decisive approach, overcoming its laissez-faire commitment that has dominated up to this point.

Mexico lacks any significant ethnic, religious, economic or political group that advocates for economic, social or political autonomy, let alone territorial autonomy. Since the Zapatista uprising in 1994, there has been increased public awareness of the discrimination faced by Indigenous people. As a result, Indigenous movements have emerged, advocating for the preservation of their identity in the face of Mexico's predominant national culture, which is mestizo. However, these movements have not exhibited hostility toward non-Indigenous individuals or posed a challenge to the state. In 1994, the constitution was amended to officially recognize Mexico as a multicultural state. Additionally, in many municipalities within Oaxaca, where the Indigenous population is sizable, the opportunity to exercise political and civil rights under Indigenous customary laws has been granted.

This situation has not changed under AMLO's government. The Maya Train project is opposed by Indigenous communities that live in the area where it is being built, and the Zapatistas even declared war against the project. Still, the project is proceeding and has not caused significant friction with the government.

The separation between church and state was achieved in the mid-19th century and reinforced by the Mexican Revolution. Until 1992, the Mexican government did not maintain formal relations with or officially recognize any church. The secular state faced some challenges once the Catholic PAN ascended to the presidency and in some of the more Catholic states. The Catholic Church has become increasingly involved in issues such as abortion and same-sex marriage. States such as Guanajuato and Querétaro have restricted the already very limited right to abortion, while Mexico City, Oaxaca, Hidalgo, Veracruz, Baja California and Colima have passed laws that legalize abortion.

The rise of evangelical churches and AMLO's apparent sympathy for them also appears to represent a challenge to the secular state. Unlike predecessors, AMLO frequently makes references to religious themes and even formed a coalition with an evangelical party to secure the presidency. However, this party lost its registered status and does not hold any significance in government. Nevertheless, the increasing social influence of evangelicalism in certain parts of the country, akin to what has happened in Brazil, may pose a more significant challenge. In certain communities, evangelicals now outnumber other religious groups and are gaining prominence in various states, notably Chiapas (32.5%), Tabasco (27.1%), Campeche (24.3%), and Quintana Roo (20.9%). As a result, conflicts between Catholic and evangelical communities have emerged.

State identity

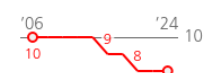
8



1

No interference of religious dogmas

8



1

The Mexican state has been able to expand its reach in areas such as education and health care since the 1940s. However, as of 2020, only 57.3% of the population had access to safely managed sanitation, and 43% had access to safely managed water supply. These resources are particularly scarce in Indigenous regions and the suburbs of large cities. Approximately 10% of the population has no access to water, and in Mexico City, over 2 million people are reliant on purchasing water from tankers.

Administrative capacity and public service delivery differ significantly between regions. The decentralization of education and health care in the 1990s has exacerbated this inequality. Moreover, decentralization has enormously increased the resources governors can manage, leading to an explosion in corruption over the past two decades. AMLO has attempted to recentralize most services. The administration has centralized the health system (INSABI) by eliminating the decentralized Seguro Popular, thereby leaving around 10% of the population insured by Seguro Popular without any health coverage. The purchase of medicines has also been centralized, resulting in shortages of various medicines, especially those for children with cancer. The creation of the National Guard and the corresponding abandonment of state and municipal policies has also led to the centralization of security policies.

In addition, the government has imposed a strict austerity program on the central administration and other institutions, cutting departments and laying off officials, which has affected their activities and administrative capacity. Moreover, the administration has bypassed traditional state welfare institutions by establishing an extended policy of direct cash transfers in various sectors. This has resulted in an increase in the clientelistic functions of the state administration, thereby affecting its quality.

2 | Political Participation

Since the 1980s, general elections have become increasingly competitive, fair and free, although certain deficiencies persist. From the 1990s onward, there has been a process of institutionalizing political life, with the establishment of independent bodies such as the National Electoral Institute (INE) and the Electoral Tribunal of the Federal Judicial Branch (TEPJF), which organize and oversee elections. However, their authority is limited to official campaigns and elections. Matters that fall outside the realm of campaigns and elections, as well as activities occurring outside of polling booths, remain unregulated. As a result, clientelistic practices, which are practiced by all parties, have continued to prevail. Moreover, there exist numerous loopholes for the control of “black” money derived from both legal and illegal sources.

There were the usual improprieties among all parties in the 2018 presidential elections, where AMLO, the founder of MORENA, won the presidential race with 53% of the vote. Claims of fraud or irregularities were minimal. June’s 2021 midterm elections were also marred by unlawful campaign activities, including the usual vote-

Basic
administration

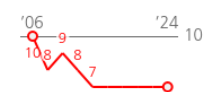
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1

Free and fair
elections

7



1

buying, misuse of public funds and infringement of campaign finance rules. While MORENA and its allies, the Workers' Party (PT) and the Green Party (PVEM), sustained a majority with 278 Chamber of Deputies seats, they lost their supermajority in Congress, which had previously enabled them to pass constitutional reforms unhindered.

At the subnational level, the assassination of local and state political figures has continued, constituting a considerable obstacle to political activity. MORENA won four out of the six gubernatorial races in 2022, securing 20 out of 32 regional administrations. This outcome further highlights the president's enduring electoral appeal. There are indications that drug cartels aided Morena's triumphs. Additionally, MORENA candidates are likely to win the upcoming elections in the federal states of Mexico and Coahuila. If this proves to be the case, it will have significant consequences, as it would bring an end to decades of PRI dominance in the state of Mexico, the country's most populous.

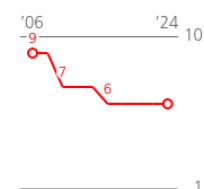
AMLO has consistently criticized the INE and TEPJF, thereby undermining their credibility, especially among his supporters. In December 2022, he introduced a contentious electoral reform that aimed to modify the constitution and severely weaken the INE and the TRIFE. Although this initial proposal did not receive congressional approval, AMLO proceeded to propose a "Plan B," a less extensive electoral reform package that Congress eventually endorsed in February 2023, shortly after the review period concluded. Plan B would substantially reduce the INE's budget, personnel and office space, hampering the organization's ability to oversee elections impartially. Legal challenges have been filed against the reform package, and it is currently under consideration by the Supreme Court.

The greatest challenge to effective power to govern is the increasingly powerful criminal groups that control some municipalities, regions and states. These groups exert pressure on elected officials and the population and even control politics through co-optation and violence. Traditional veto powers – such as national and foreign capital, as well as unions (especially the teachers' union, the petroleum workers' union and the electrical workers' union) – also continue to influence political life. The teachers' union played a dominant role in a recent repeal of the education reform, confirming its influence.

The Mexican army – under civilian control since the early 1950s – has been notably strengthened since ex-President Calderón declared the war on drugs in 2006. Since then, the military has been entrusted with wide-ranging tasks and granted significant resources. The current government has not only abandoned its promise to return the army to its barracks but has also expanded its responsibilities to include the construction and administration of the new airport in Mexico City and the Maya Train. The military also played a critical role in containing the COVID-19 pandemic, and in May 2022, a presidential decree granted the military exclusive control over customs activities. A few months later, Congress passed legislation transferring

Effective power to govern

6



operative and administrative control of the National Guard – established in 2019 and dominated by military personnel – away from the public security ministry to the Secretariat of National Defense, although the constitution states that the Guard is a civil institution. Legal challenges were brought against the legislation and await deliberation. While the military is not a challenge to democracy right now, it may become so in the future.

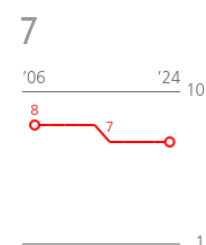
The constitution guarantees the rights of association and assembly. However, there are formal, informal and even illegal means by which freedom of association can be undermined. These include the formation of unions before a company starts production, preventing workers from organizing, or forcing workers to organize in specific unions that are under the control of employers. To curb such practices, the government has amended the Federal Labor Law to allow workers to vote in secret to approve their collective bargaining agreements and choice of union. This change has already modified the situation of some Mexican unions.

While the federal government does not pressure individuals or groups to prevent them from exercising their rights, there is a lack of transparency at the state and local levels. This has always been the case, but as the distinction between legal and criminal actors becomes blurred in numerous states and communities, the threat posed by criminal gangs, up to and including murder, has risen. Social activists and journalists face the risk of being targeted by criminal groups, and the high levels of impunity exacerbate the dangers associated with engaging in political and social activities. Additionally, state security forces, particularly the police, are notorious for engaging in arbitrary arrests and employing excessive force.

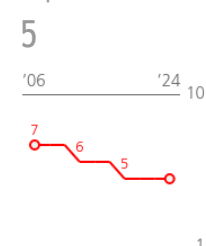
Since Peña Nieto's term in government, there have been clashes between the police and women protesters advocating for accountability in cases of gender-based violence. This trend has persisted under AMLO's government. A noticeable rift and a lack of effective communication have emerged between the government and civil society organizations, including environmentalists, Indigenous communities and victims of violence. This divide has resulted in mobilizations and confrontations with the authorities. Notably, tensions escalated between feminist activists and the authorities during International Women's Day in March 2021. During the protests, clashes between the police and protesters in the capital city resulted in injuries to 81 individuals, predominantly female police officers.

Mexico's mass media is formally free; both de jure and mostly de facto, citizens and journalists may speak and write freely without government interference. However, the assassination of journalists by criminal organizations has persisted. Since 2006, more than 168 journalists have been assassinated, and 28 have disappeared. A total of 59 of these cases have occurred during the four years of the current administration. Approximately 90% of these transgressions remain unpunished. In 2022, the highest number of journalist killings in a single year was recorded, and if this trend continues, AMLO's presidential term will be the deadliest so far in this regard. Reporting on certain topics, such as crime, drugs, and the nexus between politics and drug

Association / assembly rights



Freedom of expression



trafficking, is highly risky or even impossible in areas controlled by cartels. Self-censorship is increasingly prevalent among newspapers, particularly in regions highly affected by organized crime and drug trafficking. Moreover, the president openly criticizes journalists who scrutinize his government during his “mañanera” press conferences, labeling them as conservative or corrupt. This further contributes to the overall climate of risk for journalists. The special rapporteur for freedom of expression of the Inter-American Commission on Human Rights (IACHR) has called for the suspension of the controversial program known as the “Who’s Who of Lies,” which a presidential collaborator presents every Wednesday during AMLO’s mañaneras.

Electronic media ownership remains concentrated. There are two main television channels – Televisa and TV Azteca – and radio is largely controlled by a few companies. Still, viewpoints on digital and print media continue to be diverse, despite AMLO’s attacks on critical news outlets.

3 | Rule of Law

The separation of powers is constitutionally enshrined and places the Mexican president in a comparatively weak position vis-à-vis Congress, unless the government has a majority there, as is currently the case. Although MORENA and its satellite parties lost their absolute majority (which is required to change the constitution) in the 2021 mid-term election, the ruling coalition can still pass laws with its simple majority, making the separation between the executive and Congress virtually nonexistent.

The Supreme Court has relative independent power, although in recent years it has accepted all government reforms as constitutional. In principle, the court could become more resistant in the future, considering that new Court President Norma Lucía Piña Hernández, who was elected in early 2023, has promised to remain an independent figure. However, AMLO has accused the new chief justice of being corrupt, along with the rest of the judiciary. It has become clear that he has no respect for judicial autonomy and is actively undermining the authority of the Supreme Court.

The independent institutions that monitor and control the executive (e.g., the Human Rights Institute; the National Institute for Transparency, Access to Information and Protection of Personal Data, INAI), have either been taken over by the governing party or weakened. The same has been attempted with the electoral institutions – the INE and the TRIFE – through the aforementioned Plan B (see “Free and fair elections”). In the latest INE nominations, three out of four new commissioners had close ties to MORENA.

Separation of powers

6



1

The Supreme Court, which also serves as a constitutional court, includes four of AMLO's nominees and has not yet ruled against the current government. All important decisions have favored AMLO (e.g., on the militarization of the National Guard and the Electricity Reform). While the outgoing president of the court was closely aligned with AMLO, newly elected Justice Piña Hernández appears more independent, suggesting that the Supreme Court's decisions may become more autonomous. The president often criticizes members of the Supreme Court when he fears it will render decisions contrary to his political agenda.

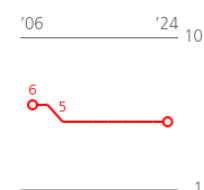
The 2014 judicial reform created an independent attorney general, known in Mexican terminology as a "fiscal general," thus altering the dynamics between the executive and judicial branches. This reform officially commenced in January 2019 during AMLO's tenure. Despite this transformation, the current attorney general, Alejandro Gertz Manero, has a checkered past involving corruption and prioritizing personal interests. Moreover, he is susceptible to the influence of the president and carries out his directives. Notably, the attorney general cleared General Salvador Cienfuegos, a former defense secretary who faced allegations of drug-trafficking and corruption and was indicted in the United States, after this figure's return to Mexico, with the assurance that legal consequences would be appropriately addressed. AMLO openly supported and defended this controversial decision.

At the state and local level, the judiciary is clearly biased toward the executive, and corruption is rampant. Ordinary citizens continue to experience a highly corrupt judicial system in which criminals are often released or enjoy perks in prison, while innocent people are detained for years before trial.

The AMLO government has made the fight against corruption a priority, but results so far have been sparse, if not contradictory. There are several important ongoing corruption cases at the federal level that have not yet reached a verdict. Firstly, former Minister Rosario Robles, accused of heading a large illegal party financing scheme, spent almost four years in prison without trial and was subsequently released. In the Odebrecht scandal, the former head of the state oil company PEMEX, Emilio Lozoya, is in prison without a verdict, and negotiations are underway for him to return part of the stolen money in exchange for his release. There are also several cases involving officials of the current government. Most notably, Manuel Bartlett, head of the state-owned electricity company CFE, was accused of having a great number of properties that did not correspond to his salary, but no charges were filed. Additionally, former Defense Minister Cienfuegos was arrested and accused of drug trafficking in the United States, but since his return to Mexico, the charges have been dismissed. Moreover, numerous corruption cases at lower levels have not been prosecuted, including some within the army.

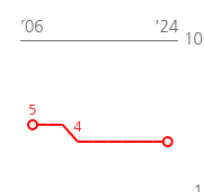
Independent judiciary

5



Prosecution of office abuse

4



Civil rights are enshrined in law, but even the most basic rights are violated in practice. One of AMLO's campaign promises was to end civil rights violations. However, little has changed, and civil rights continue to be violated by the police, the army and even the judiciary. This has been a constant reality of life for Indigenous people, the poor and sexual minorities. Migrants crossing Mexico to enter the United States are also subject to all sorts of abuse by police and criminal gangs – especially migrant women, who are often sexually abused.

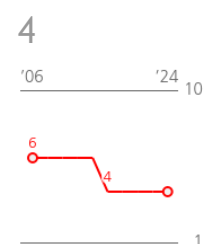
Prisons are filled with individuals who have committed minor offenses but lack the resources to secure legal representation. Consequently, they may endure years of imprisonment before their trials commence. A decision from the Inter-American Court of Human Rights declares that Mexico's compulsory pretrial detention system infringes upon human rights. This issue has notably deteriorated in regions where drug conflicts persist, and the ongoing involvement of the army's National Guard virtually ensures the perpetuation of violations against civil rights. Additionally, the Mexican Institute of Human Rights and Democracy, which admittedly had its imperfections in the past, is now completely under the authority of the executive branch.

Only a few cases that gain international attention are investigated more thoroughly, with the most notable being the Ayotzinapa case of disappearances. Meanwhile, thousands of other victims and cases, including violence against women, are being ignored. Femicide rates have steadily increased in recent years, from 735 reported cases in 2017 to 968 in 2022. Mexico City bears the highest toll, followed by the states of Mexico and Veracruz. According to the United Nations, six out of 10 Mexican women have experienced violence, and an average of 10 girls and women are killed daily. Feminist organizations have called for the declaration of a "femicide emergency," but the president has refused. Instead, he accuses the organizations of being manipulated by his political enemies.

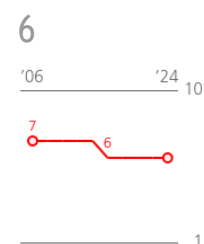
4 | Stability of Democratic Institutions

AMLO's government has concentrated power in the executive branch. Since the 2021 legislative elections, the president's MORENA party, along with its satellite parties, have held a simple majority in Congress. This has reduced overall friction in the legislature, yet MORENA's majority simultaneously limits effective checks and balances. The president also continues to criticize and attack the Supreme Court and has launched attempts to weaken autonomous institutions that organize elections and oversee government actions. He has limited the financial resources of electoral oversight institutions and recently had his "Plan B" approved by Congress, which, if sanctioned by the Supreme Court, would weaken the INE and the TRIFE.

Civil rights



Performance of democratic institutions



Additionally, the threat to democracy from organized crime is serious, with candidates and elected officials, as well as social activists, routinely assassinated. In some regions controlled by drug cartels, many local elected officials and police agencies are under their command. In these same regions, the judiciary is also under their control. The current government has expanded the military's prerogatives and tasks, thereby also giving it economic influence, which might pose a future threat to democracy.

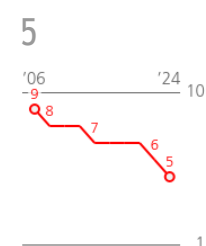
The most important political and social actors in the past have been committed to the country's democratic institutions. Nonetheless, the present government considers itself to be implementing a peaceful revolution, and AMLO considers himself to be the true representative of "the people." This raises questions about whether power will be peacefully transferred to the next government if MORENA loses the 2024 presidential elections. Already, AMLO has put forward initiatives to weaken the INE and the TRIFE, which would undermine election oversight. The president has also tried to exert control over the Supreme Court, which would ultimately have the final say in case of an electoral dispute. Lastly, the president may resort to the military, which he has aligned with his movement and empowered, as a "last resort" if all else fails.

Major actors, such as private firms, have adopted a strategy of informal alliance with the president in order to avoid difficulties. The Catholic Church has retired from public engagement, and civil society organizations (CSOs) are trying to maintain their presence through street protests. All in all, institutionalized channels of democratic participation are being bypassed by informal and extra-institutional processes.

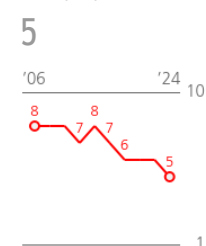
5 | Political and Social Integration

In the past, Mexico's party system was less fragmented than those of most Latin American countries, and voter volatility was comparatively low. The PRI, PAN and PRD each usually captured around a third of the vote during elections. However, this changed radically with the 2018 elections, in which MORENA received 53% of the vote, leaving the traditional political parties in the minority. Since then, MORENA has become the new dominant party. MORENA has considerably expanded social programs, which have almost all become conditional monetary transfers that can be used in a clientelist manner, to an extent not seen since the PRI's one-party rule. Additionally, AMLO has exacerbated polarization through discourse that depicts previous governments and their sympathizers as corrupt, neoliberal, conservative and so on.

Commitment to democratic institutions



Party system



The party system is only loosely connected to civil society, primarily through clientelism, a practice embraced by all parties. Despite its popularity, which is largely due to AMLO's charismatic leadership, MORENA is founded on a direct relationship between the leader and the people. In fact, AMLO is skeptical of social organizations; his social policies rely on directly allocating resources to individuals without intermediaries.

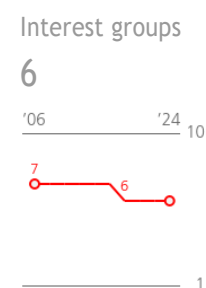
The PRI, PAN and PRD have failed to reconstitute themselves after their 2018 presidential defeat. Although they joined forces during the 2021 legislative election, they are ideologically diverse and lack a coherent joint discourse that would allow them to effectively oppose MORENA. In recent years, these opposition parties have lost credibility and sympathizers. They have also disastrously governed some of the country's most important cities.

With growing polarization and an asymmetrical fragmentation of the party system, Mexican democracy is increasingly backsliding. The ruling party is growing stronger, while the opposition is splintering into multiple disorganized factions that are only formally maintained as coherent unities with the old party labels. Furthermore, voters do not recognize the different opposition alliances at the national and regional levels as a real alternative to the ruling party.

The PRI regime was based on organizing society through corporatist and clientelistic measures, involving not only popular groups but also businesses. Starting in the 1980s, the political system constructed by the PRI began to weaken due to neoliberalism and democratization, resulting in these organizations losing their effectiveness. Although they still occupied social space, they no longer effectively represented the interests of larger population groups. As a result, unions, peasant organizations and other popular groups do not effectively represent the population, except for the teachers' union, which maintains a highly efficient vertical structure. Consequently, AMLO found it relatively easy to represent these various groups. In this endeavor, he has attempted to avoid engaging with social organizations and associations directly, focusing instead on individuals by implementing policies without intermediaries.

Mexico is now dominated by two interests: AMLO (political) and big capital (economic).

Business associations are somewhat independent, with some being quite powerful, particularly the Confederación Patronal de la República Mexicana (Coparmex) and the Consejo Mexicano de Negocios, which represent the largest enterprises. The executive branch advocates for the interests of the fragmented popular sectors. Dialogue does take place, but polarization is prevalent in everyday situations. However, there are numerous smaller organizations, such as Indigenous, feminist, environmental and sexual minority groups, that are highly engaged despite their lack of cohesion and collective action.



Interest groups do not function as intermediaries between society and the political system because most of them have always been clientelistic networks through which the government relates directly to the citizens. This fact has been reinforced by the central government under AMLO.

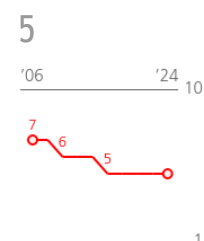
According to the latest 2021 Latinobarómetro report, support for democracy increased by five percentage points in 2020, recovering from an all-time low of 38% during the last two years of Peña Nieto's presidency. The rate of government approval also improved significantly to 58% in 2020, compared to 16% in 2018. Still, by regional standards, Mexico ranks in the bottom half of Latin American countries, and more than half the population does not consider democracy to be the best system of government. Of those surveyed, 26% express indifference between a democratic and nondemocratic regime, and 22% prefer an authoritarian government – the highest such percentage after Paraguay. This is a significant change from 2018, when only 11% favored authoritarianism. Moreover, 55% of respondents reject a military government, below the regional average of 62%.

Moreover, levels of confidence in state institutions are relatively low, with the exception of the military and the president. Forty-eight percent of respondents reported having a lot to some confidence in the military, while 44% expressed the same degree of confidence in the president. In comparison, only 36% had confidence in the electoral authority, 24% in the judiciary and 22% in Congress. AMLO's criticism of autonomous institutions associated with democratic functions is likely to further undermine popular support for these institutions.

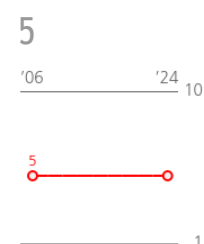
According to the Latinobarómetro 2021 report, levels of interpersonal trust remained low and stagnant at 18%, as much as in 2018. Still, it is one of the highest such levels on the continent, considering that the regional average is 12%. In 1997/1998, trust levels were around 40%; however, they have plummeted most likely due to increased violence. Nevertheless, there are solid solidarity networks connecting the family, the barrio and sectoral engagements.

While Mexico was a highly organized society at the height of the PRI, with equally strict control, membership and participation rates in social organizations that contribute to the development of social capital are now among the lowest in Latin America. Reporte Indigo states that there are 27 CSOs per 100,000 inhabitants in Mexico, compared to 650 in Chile, 170 in Brazil and 270 in Argentina. According to the same study, only 6% of the population is involved in a CSO. This aligns with the findings of the INE's INFORME PAIS (2022): 1% of interviewees had participated in social protection organizations in the last year, 3% in a professional organization, 2% in a political party, 3% in a trade union and 7% in a neighborhood organization. The highest participation rate, at 10%, was found for sports organizations and parental organizations. The current government discourages social participation, as it not only labels CSOs as corrupt, conservative and opposed to the "Fourth Transformation," but has also ceased all public funding for these organizations.

Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

The pandemic and low levels of growth have strongly impacted Mexico in recent years. In the 2020 Human Development Index (HDI), Mexico's rank declined to 88th place from 76th in 2017, with a slight improvement in 2021 with a score of 0.758, which placed it at 86th, just behind Peru (84) and eight other Latin American and Caribbean countries. The overall loss in the HDI score due to inequality has remained constant at 18.1% annually from 2019 to 2021, indicating that the government's assistance programs have failed to offset the lack of growth during these years. The lack of growth is attributable to the pandemic-era economic crisis and the corresponding low levels of state intervention to ensure jobs and the sustainability of firms. For example, less than 1% of GDP was spent on sustaining the economic structure and jobs in 2020.

The country's Gini coefficient was 45.4 in 2020, the same as in 2018, yet indicating more unequal conditions than in 2016 (43.4). In 2020, 9.9% of the population lived on less than \$3.65 a day (WDI), compared to 6.5% in 2018. According to ECLAC (Social Panorama of Latin America 2021), in 2020, 37.4% of Mexicans lived in poverty and 9.2% in extreme poverty, as opposed to 41.5% and 11.7%, respectively, in 2018. While this does mark an improvement, extreme poverty rates in 2020 were close to those experienced in 2008.

The UNDP Gender Inequality Index score for Mexico has been falling since 2011 (0.402). In 2021, it was 0.309, which was better than the world average (0.498), but still worse than Chile, Uruguay, Costa Rica, Argentina and Cuba. According to the National Council for the Evaluation of Social Development Policy (CONEVAL), 42.6% of women lived in poverty in 2018, with 35.6% experiencing moderate poverty and 7% facing extreme poverty. As a result, approximately 4.5 million women lacked sufficient income to meet their basic food needs, which, in turn, hindered the realization of at least three social rights.

In sum, Mexico continues to face significant challenges in reducing poverty and inequality, a situation worsened by the pandemic.

Question
Score

Socioeconomic
barriers

5

'06 '24 10



1

Economic indicators		2019	2020	2021	2022
GDP	\$ M	1269009.6	1090515.0	1272838.8	1414187.2
GDP growth	%	-0.2	-8.0	4.7	3.1
Inflation (CPI)	%	3.6	3.4	5.7	7.9
Unemployment	%	3.5	4.5	4.1	3.3
Foreign direct investment	% of GDP	2.4	2.9	2.6	2.8
Export growth	%	1.5	-7.3	7.1	7.5
Import growth	%	-0.7	-13.7	15.6	8.9
Current account balance	\$ M	-5822.8	22665.0	-8109.4	-17829.1
Public debt	% of GDP	51.9	58.5	56.9	54.1
External debt	\$ M	610189.3	605051.7	605699.6	-
Total debt service	\$ M	69892.0	71585.5	77411.5	-
Net lending/borrowing	% of GDP	-1.7	-3.7	-3.4	-
Tax revenue	% of GDP	13.1	14.3	13.9	-
Government consumption	% of GDP	11.4	12.5	11.8	11.5
Public education spending	% of GDP	-	4.6	-	-
Public health spending	% of GDP	2.7	3.3	-	-
R&D expenditure	% of GDP	0.3	0.3	-	-
Military expenditure	% of GDP	0.5	0.7	0.7	0.6

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market competition has been formally established since the government opened the economy, privatized state enterprises and deregulated the economy in the 1980s. The signing of NAFTA in 1994 helped open Mexico's economy further and strengthen its market orientation. AMLO's government has not challenged this openness, although it has rhetorically called for an end to neoliberalism. On the one hand, it renegotiated a free trade agreement with the United States and Canada, the United States-Mexico-Canada Agreement (USMCA), which maintains free trade but also includes some new labor and rules-of-origin dispositions. On the other hand, it has acted to reinstate the state's monopoly on oil and electricity in the energy sector. In addition, the government has allocated most of the contracts for its large public projects directly to the army or to national enterprises, without public tenders.

After years of stagnation, interest rates remain relatively high. Small and medium-sized enterprises (SMEs) find it particularly challenging to obtain financing at affordable rates. Continued violence involving criminal groups has created heightened insecurity in some parts of Mexico, including border areas, port zones, and truck and rail corridors.

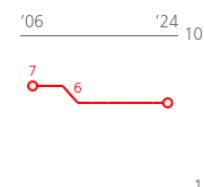
The Federal Economic Competition Commission (COFECE) has issued citations to several economic agents and individuals after finding evidence of probable collusion to fix, raise or manipulate the retail market price of gasoline and diesel fuel in local service stations. The COFECE blocked a potential merger agreement between Soriana and Famsa, two major Mexican retailers, maintaining its precedent of anti-monopoly decisions in the retail sector. Additionally, the government is preparing measures to fight inflation, which will likely include subsidy-backed price caps, temporary regulations and agreements with producers to limit the impact inflation has on consumers.

Although the role of the private sector (both domestic and foreign) has not been questioned, the cancellation of the new airport at the start of the presidency and the president's polarizing discourse have restrained national capital investment. Nonetheless, international capital has recently flowed into Mexico as geopolitical tensions with China have diverted investments from Asia to the North American region. The Mexican peso has become one of the few fully convertible currencies among the emerging market economies (EMEs), and it is now the second-most-traded EME currency.

Finally, informal employment is significant, with nearly 60% of the working population working informally.

Market
organization

6



Formally, the Mexican economy has a solid competition policy framework, but in practice, it is dominated by oligopolies – especially in the telecommunications, cement, electronic media and banking sectors. Small and medium-sized businesses have limited access to credit because private banks, which are 90% foreign-owned, do not lend to them, preferring consumers instead.

The COFECE regulates monopolies and trusts and has been recognized for its success in promoting pro-competition reforms. However, it has little power compared to its counterparts in other countries. Because market-investigation decisions addressed by COFECE to public authorities remain nonbinding, public authorities have no obligation to address issues. Moreover, the current president has accused the institutions that were created over the last decades to ensure competition (e.g., COFECE, IFT, Comisión Reguladora de Energía) of being inefficient, costly and corrupt. AMLO has additionally hindered these institutions' ability to combat structural disparities by granting them fewer resources and postponing the selection of their members, among other actions. Moreover, most government contracts continue to be awarded directly, without competitive bidding or the agreed-upon extension of a public service contract, which hinders transparency and the efficient allocation of resources.

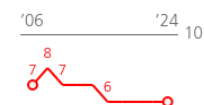
Mexico retains its status as one of the world's most open economies, although the current administration has imposed certain limitations on private (foreign and domestic) investment in the energy sectors of oil and electricity. Despite criticism by AMLO and despite his rhetorical stance against neoliberalism, little has changed since he assumed office. Freedom of capital persists across all economic sectors, except in the aforementioned energy sector. Notably, there have been adjustments made to rules of origin and labor conditions, but the USMCA, effective as of July 2020, does not disrupt the previous arrangements concerning the movement of capital and goods within the region.

The USMCA has strengthened the rules of origin, particularly for steel-intensive goods and the automotive sectors, to ensure greater North American content. Similarly, overly restrictive rules of origin were revised for the apparel industry. The agreement also establishes new simplified “process rules” in the chemical sector. However, the energy chapter remains controversial due to the Mexican government's decision to restrict investments in this sector on Mexican soil, resulting in a number of lawsuits. Mexican authorities have prohibited the import of transgenic maize. The government has not imposed any other restrictions on goods or capital, introduced export subsidies or promoted specific industrial sectors through industrial policy measures. The simple average applied most-favored-nation (MFN) tariff remained unchanged compared to 2019 at 7.1% in 2021.

Mexico has 13 free trade agreements (FTAs) with 50 countries, including FTAs with the European Union, the European Free Trade Area, Japan, Israel, 10 Latin American countries and the 11-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Mexico is also a member of the Pacific Alliance.

Competition policy

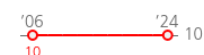
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Liberalization of foreign trade

10



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After the 1994 financial crisis, which led to the collapse of the Mexican banking system, banks changed hands and were bought by foreign institutions. Today, the primary banks are foreign-owned and account for nearly 90% of the private banking system. Nevertheless, one of the two largest banks in Mexico, Citigroup, has announced it will sell its banks in Mexico. This move may facilitate the recovery of the domestically owned Mexican banking system.

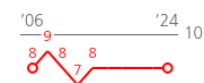
The banking system continues to face two significant problems in Mexico. First, the degree of financial inclusion within the Mexican population is low, with 63% of the population using informal savings rather than formal bank accounts and 70% resorting to informal credit. Second, the commercial banking sector is highly concentrated, allowing for the imposition of very high interest rates and individual fees. Consequently, for the banks themselves, banking in Mexico is considered more favorable in comparison to the banks' home countries. Another significant issue is the limited lending to small and medium-sized enterprises (SMEs), as banks primarily focus on providing credit cards, home and car loans, and investments in government bonds to consumers. A potential solution to this problem could be the establishment of a major domestically owned bank, as a Mexican-owned financial institution might be more inclined or even obliged to enhance financial inclusion and extend loans to SMEs.

According to the IMF, the banking system is stable and largely complies with international standards. Based on the latest data available from the World Bank, the capital-to-assets ratio remained at 9.7 in 2020 – the same level as in 2019. Additionally, the share of non-performing loans has remained low at 2.4%, compared to 2.1% between 2016 and 2019. The Mexican central bank continues to be one of the most efficient economic institutions in the country. It responded swiftly to the COVID-19 crisis by lowering the key interest rate and has also addressed inflation by raising rates at a comparable pace to the U.S. Federal Reserve.

The members of the National Banking and Securities Commission (CNBV) are not independent – all are ex-officio. The CNBV and its board members have no term appointments, no legally established reasons for dismissal and no requirement that reasons for dismissal be disclosed. For authorized financial conglomerates, the current legal arrangement allows the oversight body only to gather information from other authorities and coordinate specific supervisory actions. This prevents the oversight body from autonomously designing and applying oversight actions to the individual divisions of the corporations.

Banking system

8



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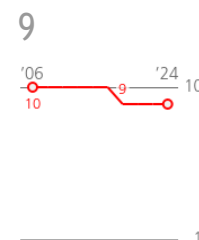
8 | Monetary and fiscal stability

Like many leftist governments in Latin America, AMLO's administration has learned the importance of maintaining macroeconomic stability. The government and the Bank of Mexico (BdeM) have been very cautious with their monetary policy. Still, like the rest of the world, inflation has been increasing due to external factors. The inflation rate reached 7.8% in 2022. The BdeM raised its rates to bring the rate under control and thereby also attracted portfolio investments. This, along with the ever-growing flow of dollars from Mexicans living in the United States, as well as increased flows of foreign capital, has led to the overvaluation of the peso – a situation that negatively affects Mexican industries and may serve as a brake on incoming direct investment. According to the World Bank, the real effective exchange rate of the peso was 81.9, compared to 77.4 in 2020 and 83.7 in 2019. This indicates stability in recent years, when many currencies have devalued.

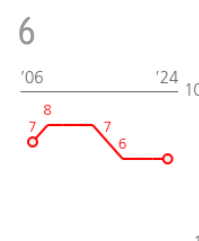
Following his general political direction of restricting autonomous institutions, AMLO has challenged Mexico's central bank, for example, when it voted to raise its benchmark interest rate by 50 basis points to 6.5% – a decision that was unexpectedly announced hours ahead of schedule by AMLO, thereby breaching norms. AMLO, who had previously clashed with the BdeM over the use of surpluses accrued from foreign exchange fluctuations, reconsidered his candidate in the nomination process to lead the bank. This raised concerns about the politicization of the monetary authority, whose governor has served under presidents from rival parties in the past.

The government has been overly orthodox in both its fiscal policy and its monetary policy, as AMLO vowed not to increase the deficit or further increase the country's debt level. He even rejected the implementation of large-scale COVID-19 stimulus packages as recommended by the IMF. Although there were concerns about how the government would finance its social policies and infrastructure projects, AMLO has presented balanced and even austere budgets. While this had positive results from a macroeconomic perspective, ordinary citizens have suffered greatly, and nearly all public budgets have been reduced. The IMF also reported that the federal government's public debt increased, from 53% of GDP in 2019 to 57.6% in 2021. However, reserves have been growing since 2017 and are currently at \$200.8 billion. Nonetheless, there are some relatively worrisome signals: the budget deficit grew to 3.8% in 2022, and the account balance fell to a deficit of almost 19 billion dollars as of August 2022. Rebounds in the mining and construction sectors supported growth. However, the manufacturing and retail trade sectors contracted, and the business support services subsector continued its decline, potentially due to the ongoing impact of the 2021 labor outsourcing ban.

Monetary stability



Fiscal stability



9 | Private Property

Article 27 of the constitution protects private, public and social property. Although AMLO clearly favors state property, he has not threatened private property rights nor proposed any form of nationalization. He has nonetheless limited private investment in the energy sector, halted the ample tax exemptions provided by previous governments, and imposed stricter regulation of the labor market.

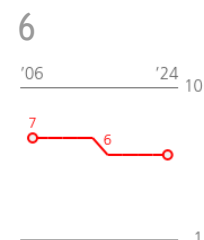
The situation of small businesses was structurally very complicated even before the present administration. First, there are significant problems in defining the property of individuals and small businesses at the micro level, a factor linked to inefficiency and corruption within the administrative and judicial systems. Additionally, many small and microbusinesses function informally and do not register their firms, pay taxes or register their workers because they cannot afford to do so and do not see the advantage. This makes them vulnerable to extortion by trade unions, tax collectors and the police.

Violence and the escalating power of criminal groups in certain states (e.g., Guerrero, Michoacán, Veracruz and Colima) as well as in northern cities and regions, pose a genuine threat to both companies and individuals. There have been instances reported in which criminal groups have coerced homeowners or renters into transferring their property to them. In addition, individuals may face difficulties during the registration process for their house or apartment due to the prevalence of fraud in such transactions, which can result in a protracted process of reclaiming their property after renting it for a period.

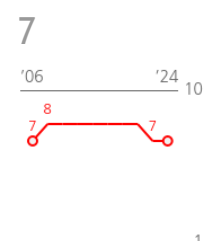
Though AMLO has expressed a fundamental distrust of private capital, the country cannot do without it. Private companies are mostly given scope to act freely, except in the energy sector. The current government has granted private companies numerous major infrastructure projects without a competitive tender process, instead opting for direct allocation outside the confines of market regulations. Private companies have raised concerns about this lack of transparency, as it suggests preferential decision-making by government officials and favoritism toward specific companies, particularly in the construction sector.

There are limited regulations restricting or directing sectoral investment, but various bureaucratic hurdles exist when starting and operating a business, which in sum promote corruption. Additionally, certain regulations impact large numbers of micro and small businesses that are unable to meet the requirements. The dominance of oligopolies in sectors such as cement, oil, electricity, banking and telecommunications presents a major impediment to the operations of businesses, particularly those that are small or medium-sized. Moreover, the informal sector poses unfair competition to existing formal businesses, particularly for small and medium-sized enterprises that abide by tax regulations, offer slightly higher wages and provide social benefits to their employees.

Property rights



Private enterprise



10 | Welfare Regime

The current government has made its most significant changes in the area of social security. The previously most important conditional cash transfer program, Prospera, was canceled. However, this did not change the government's focus on assistance programs. While Prospera aid reached families through mothers, the AMLO government now allocates funds specifically and directly to those affected: the elderly, women with young children, and as scholarships for children and youth in elementary, secondary schools and universities. All recipients must be registered by government officials. Hence, this aid is vulnerable to patronage-style manipulation. Most of this aid is given to poor families and therefore is not universal. The government has declared that 70 million people receive resources from the government, yet some specialists have calculated that the true number is closer to 40 million, similar to previous governments.

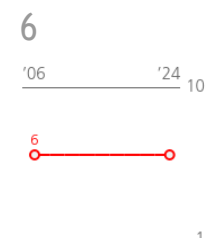
AMLO's cash handouts represent a new relationship with a federal government that, for many decades, ignored poverty. Cash "scholarships" for attending school and cash payments from Lopez Obrador's flagship Bienestar Pension for Elderly Adults program are very popular and establish a direct bond between the president and the people. However, with their direct short-term transfers, these programs fail to support the development of skills that would have medium- to long-term effects for individuals. It remains unclear where most of the cash transfers end up. One of the most expensive programs, the \$20 billion subsidy for gasoline, is used by AMLO to maintain popular support.

The pension system has never covered more than 30% of the population. AMLO has not reversed the reform from a pay-as-you-go to an individual capitalization system. Many people facing unemployment during the pandemic withdrew a portion of their savings from pension funds, which decreased the system's efficiency further.

The public health care system is divided into three systems: one for civil servants, another for private sector workers and a third for the remaining population. The administration ended the Seguro Popular program, which was introduced in 2005 as the third pillar. It introduced a universal health care system, INSABI, without significantly increasing the budget. The creation of an entirely new system with little planning on the eve of the pandemic contributed to very poor management of the health crisis. INEGI surveys show an increase in the share of people without health coverage – 28.2% in 2020 vs. 16.2% in 2018.

The health system is underfunded compared to other countries in Latin America and the Caribbean region. Public expenditure on health was only 3.3% of GDP in 2020, albeit up 0.6% from 2019. This results in extremely high out-of-pocket expenditures (about 45%) compared to countries like Brazil and Argentina (30%). Life expectancy is around the regional median, averaging 75.1 years, which is the same as in 2019.

Social safety nets



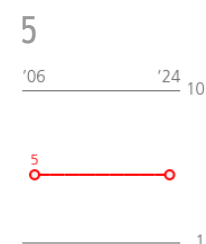
Discrimination against the Indigenous population and gender inequality are structural issues in Mexico, resulting in slow change at best. The administration has made no real effort to address discrimination or promote gender equality. The Indigenous population, which accounts for 6% to 10% of the total population, continues to experience marginalization. Although Mexico's overall literacy rate in 2020 was 95.2%, it was only 67% among Indigenous groups. In 2015, only 72.6% of Indigenous people completed primary school, with 16.6% having no formal education. In contrast, among the general population, the figures were 81.7% and 5%, respectively. Despite these disparities, student enrollment has increased overall. In 2021, the primary school enrollment rate reached 104.7%, while enrollment rates in secondary and tertiary education stood at 104.6% and 142.6%, respectively. However, progress in terms of student learning outcomes, high school completion rates and college enrollment has been modest. Although the achievement gap between Indigenous and non-Indigenous students has decreased since 2006, it remains significant.

Literacy and school attendance rates among women are nearly equal to those among men at all levels. In 2020, the literacy rate among women was 94.5%, compared to 96.1% for men. Additionally, enrollment rates were equal between sexes at the primary school level and slightly higher for women at the secondary and tertiary education levels, according to the World Bank. Nevertheless, significant disparities persist in the labor market. The employment rate for women in 2021 was quite low, at 38.5%, comparable to levels seen in poorer countries in the Northern Triangle and far behind Brazil, Costa Rica, Uruguay, Chile, Argentina and Colombia. However, this figure does not account for women working in the informal sector. This exacerbates, rather than alleviates, gender inequality because working conditions and salaries in the informal sector are much lower than in the formal sector, despite equal numbers of men and women working in this sector. In terms of wage equality for similar work, Mexico has the worst score on the continent at 0.51 – meaning that women are 49% less likely than men to receive an equal wage for similar work – while Costa Rica scores 0.65 and Uruguay 0.61 on this issue. Inequality for women is also evident in the high rate of femicide and the prevalent “machista” culture.

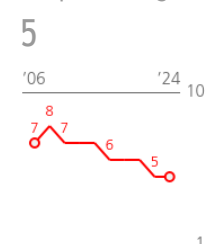
11 | Economic Performance

In economic terms, the past four years have been some of the worst in recent decades for Mexico. This is primarily attributed to several factors: the cancellation of the Mexico City Airport project, which greatly affected numerous investing enterprises and providers; the tremendous impact of the pandemic on GDP (a decline of 9.1%); the absence of an active countercyclical policy to mitigate the pandemic's economic effects; and, finally, the president's polarizing discourse, which has created uncertainty for domestic capital. This uncertainty has been further exacerbated by the flow of foreign capital, which is driven by geopolitical tensions between major

Equal opportunity



Output strength



countries, particularly the United States and China. In this context, above all, Western countries view Mexico as a good location for their manufacturing plants, with the free trade agreements in place adding to this appeal.

FDI in Mexico increased by 12% in 2022 to just under \$35.3 billion, up from \$31.54 billion in 2021. Forty-eight percent of FDI was new, while 45% came from reinvestment of profits. Manufacturers of vehicles, electronic components and auto parts were among the biggest recipients of foreign investment, with most funds coming from the United States (\$15 billion). The “nearshoring” phenomenon – the relocation of companies to Mexico to be close to the U.S. market – benefited the Mexican economy in 2022 with significant investment flowing into northern states and the central Bajío region.

In 2021, GDP per capita barely rebounded to nearly the 2016 level at \$19,578 according to the World Bank. This recovery was barely evident in the unemployment data due to the absence of unemployment insurance, as well as the significant levels of underemployment and informality. Although the level of gross capital investment has remained low, it is not significantly lower than in previous years. However, if the country is to escape the middle-income trap, investment must increase significantly. Inflation has been on the rise since 2021, mirroring global trends, with an initial rate of 5.7% that climbed to a two-decade high of 7.2% in 2022. As of December 2022, the national debt totaled 51.7% of the country’s nominal GDP, representing a consistent trend over recent years.

In contrast to the government’s economic performance, its macroeconomic policies have remained highly orthodox, both in terms of public debt and deficit. The International Monetary Fund (IMF) even suggested that the government should have relaxed its austerity measures during the pandemic in order to alleviate the population’s suffering and lay the groundwork for a more robust economic recovery afterward. However, the significant current account deficit of \$25 billion in the first nine months of 2022 is concerning.

12 | Sustainability

AMLO’s government has banned fracking (although there are unconfirmed reports that some fracking zones are still active), but all other policies fail to take ecology into account, and the Ministry of Ecology’s budget has been significantly cut. The administration’s most important economic policy seeks to recover the state’s hegemony in the oil and electricity sectors. In attempting to do so, it has increased energy production using carbon resources and fuel oil (mostly in private foreign hands), discouraging investment in alternative energy sources. The government has directed resources toward the fossil fuels sector, insisting on using oil and gas from national production and categorizing renewable energy projects as damaging to the national economy. The 2013 energy reform that liberalized the electricity sector,

Environmental
policy

3

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creating room for new players, clean energy and foreign investment, has been reversed. The implementation of the Energy Reform Mexico is forecast to lead to an increase of over 46% in greenhouse gas emissions. Rating agencies have warned about the possibility of lowering Mexico's rating in 2022 due to the magnitude of government support received by Petróleos Mexicanos (PEMEX) and the Federal Electricity Commission (CFE), which pose a risk to public finances. Additionally, the government is constructing a refinery on the coast of Tabasco in a mangrove area, as well as the Maya Train system; the latter will have a significant impact on the ecology of the Mayan Peninsula through the construction of train tracks, train stations and the development of a destructive commercial tourist industry around it.

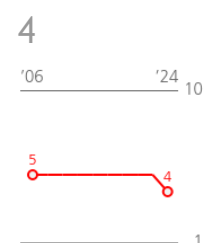
Public awareness of environmental problems has grown in recent decades, largely due to the activities of environmental NGOs. AMLO has criticized these organizations for their critique of government ventures. According to the NGO Global Witness, Mexico has become the most dangerous place in the world for activists defending the environment and land. In 2021 alone, 54 activists were reported killed. The Yaquis, an Indigenous community in the northern part of the country, are also embroiled in various conflicts – from Mexican drug cartels to mining operations pursuing their land for lithium extraction.

Despite President AMLO's original commitment to banning fracking, the budget allocated toward fracking reportedly increased in 2022. Residents of the affected communities in Veracruz have protested and complained about the environmental impacts, which include air pollution, frequent fires caused by oil spills, contamination of aquifers, and the loss of biodiversity and natural landscapes. The government has neglected to engage with environmental organizations and has not genuinely consulted Indigenous communities.

Even before the pandemic, PISA tests ranked Mexico in the bottom third of tested countries in the areas of science, mathematics and reading – well below the OECD average and only slightly above the Latin American average. The pandemic may have a tremendous impact on the educational level of small children and adolescents, considering that Mexico closed its schools longer than almost all other countries worldwide – 250 days. The extent of the impact cannot yet be assessed since the PISA tests have not been applied in the last four years. Furthermore, spending on education has been decreasing; in 2022, it hit the lowest level in a decade, at 3.1% of GDP.

The education problem is not only financial but also political. The elementary school system is dominated by the teachers' union – the largest union in Mexico and a remnant of the former authoritarian regime. The current government's main focus has been giving scholarships to students from the primary school through university levels, although not in a universal manner, except at the secondary school level.

Education policy /
R&D



With a spending of only 0.43% of GDP on research and development (R&D), Mexico clearly lags behind countries such as Brazil, which spends 1.2% of its GDP in this area. This is the lowest level of R&D investment among OECD countries, behind Türkiye, Poland and Slovakia, and lower than many other countries with similar levels of development. R&D is not a priority for the current government, considering that it cut the budget of the National Council of Science and Technology (CONACYT) research consortium by half. Additionally, scholarships for Mexican postgraduates wanting to study abroad were significantly cut back, favoring the pursuit of domestic degrees. The case of CIDE, an internationally recognized higher education institution that has been continuously targeted by the government, has illustrated the current precarity of universities' autonomy and academic freedom.

Governance

I. Level of Difficulty

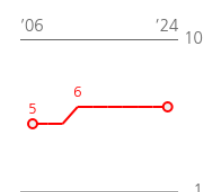
Structural constraints have remained unchanged and have in fact increased under the current government due to slow economic growth, the end of the Seguro Popular program and AMLO's refusal to provide economic support to firms during the pandemic. Organized crime, poverty, a lack of human capital, and inequality continue to be the primary structural obstacles to growth and productive investment in Mexico. According to ECLAC's Social Panorama of Latin America 2021 report, 9.2% of Mexicans lived in extreme poverty, an increase of 1.5 percentage points compared to 2018.

Though minimum salaries have been raised significantly in the past four years, they are still low in comparison to those in other Latin American countries. While the labor force possesses a high average educational level and is highly competitive, there is a shortage of highly skilled personnel in mid-level engineering and administrative roles. Other challenges include the low quality of job opportunities and wage levels, along with insufficient infrastructure, particularly in the southern region where the poorest population resides. The potential economic viability of the Mayan Train, the new refinery in Tabasco and the Tehuantepec rail network could have a positive impact on certain sectors in the south. However, this may come at a severe environmental cost.

Perhaps the most important obstacle to governance is the widespread violence and ungovernability affecting almost all Mexican states (except Yucatán, Campeche and Aguascalientes), with local police and politics having been infiltrated by organized crime. Mexico is also vulnerable to natural disasters, especially earthquakes and hurricanes. The latter have become increasingly destructive due to global warming and have hit major tourist destinations, including Cancún, Acapulco and Veracruz. Coordination between different government levels continues to be difficult and even contradictory, limiting developmental opportunities.

Structural
constraints

6



CSOs are weakly organized in Mexico compared to peers in many other Latin American countries, as civil society traditions are feeble. The CSOs that emerged during the 1980s were very important for the democratic transition, as they formed the social base that led to the creation of the PRD and then MORENA – both parties being coalitions of social movements. However, these movements have become bureaucratized and have reproduced clientelistic practices similar to those of the previous PRI regime.

Although AMLO's presidency would not have been possible without the mobilization of numerous social movements, the president remains highly suspicious of these autonomous organizations. AMLO has clashed with women's groups, victims' advocacy organizations, anti-corruption groups and human rights organizations. He has ordered that no civil society organizations be funded by the government and has even called upon U.S. authorities to stop financial flows to these organizations. Civil society activists continue to be victims of extreme violence and the maelstrom triggered by the "war on drugs." This has further weakened social capital, particularly in areas directly affected by such violence.

There has been an important labor reform that requires union organizations to prove their legitimacy through a secret and universal vote. So far, only a few unions have changed leadership, but in the future, it might democratize the labor movement.

The ongoing crisis of violence is the result of criminal organizations and their activities, such as drug and people trafficking, gasoline theft, and the extortion of businesses. The current government has failed to curb this violence. So far, almost 100,000 people have been recorded as missing due to the drug war.

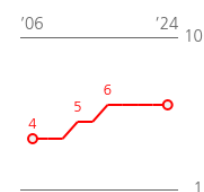
AMLO has been relying on a polarizing discourse to sustain his popularity. On a daily basis, he dismisses criticism of his policies and accuses commentators of being conservatives and corrupt. So far, this polarization has not broken out into violence, but that possibility exists in the future, particularly if MORENA loses the 2024 presidential elections.

The quality of political representation has recently weakened, and CSOs lack sufficient capacity to channel social discontent and demands, resulting in a growing trend of expressions of social discontent turning to violence. Young people and young women in particular are responding through increasingly aggressive demonstrations.

There has also been growing violence on the part of the army – not organized, but as a result of their public security duties. As criminal groups battle over territorial control, the displaced are also becoming increasingly visible. Forced displacement and agglomerations of huge migrant communities in border cities are generating a new dimension of conflict that has been underestimated for years.

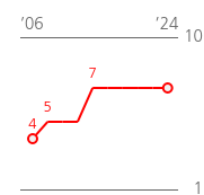
Civil society traditions

6



Conflict intensity

7



II. Governance Performance

14 | Steering Capability

The present government considers itself to be fundamentally transforming the country. It has a long-term project that does not prioritize short- or medium-range goals. However, its long-term goals are vague: ending the neoliberal era and corruption. In the short and medium terms, there is no coherent policy strategy, nor is there any significant strategic capacity to organize policies. What can be seen is the dismantling of “old” institutions such as the Seguro Popular, Prospera, the INE, the TRIFE and the Federal Police. The administration has also significantly modified the structure of many executive agencies and reduced their financing and personnel. There is no strategic outlook, planning tools, conceptual discussions or strategic plans guiding ministries’ activities. Decisions on large infrastructure projects are made by the president, regardless of their economic rationality.

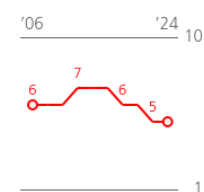
In confronting the pandemic, the government did not modify its main priorities, such as reversing Mexico’s oil production decline, ending corruption, supporting young people and senior citizens, reducing violence, and fighting social and racial inequality. However, the ways these priorities have been pursued have led to some perverse effects. There has been a very symbolic commitment to the national oil company PEMEX, but investments have had a doubtful impact. Additionally, there has been a cash transfer program without clear focus and no conceptual change in the fight against crime. Furthermore, there has been little commitment to independent oversight or institutional checks on malfeasance. Although significant resources were poured into the health sector in 2020, budgets were cut in the following years. The government did not abandon or postpone its infrastructure projects in order to invest in preserving jobs in the formal sector or strengthening the health system during the pandemic.

Generally, strategic plans and key policy proposals are designed within the presidential office rather than coming from external units or line ministries. There is no evidence-based evaluation of policies, and when offered by NGOs, such as México Evalúa, the conclusions are rejected and denounced by the president.

Question
Score

Prioritization

5



The current president has favorable conditions for implementing his policies, given that the administration operates under a unified government that holds a majority in Congress, thereby consolidating power in the presidency. AMLO also benefits from widespread popular support, which affords him considerable power with minimal restrictions. The president has made significant changes to assistance programs, although their fundamental nature as support programs rather than guaranteed social rights has remained unchanged. The president has expanded the scope of several programs, resulting in increased non-contributory pensions for a greater number of elderly individuals, with this amounting now to approximately \$60 per month. Additionally, the government has established numerous scholarships and offers financial aid to 500,000 farmers through the Sembrando Vida program. Notably, the government has also continued to execute large-scale infrastructure projects, some of which are being overseen by the military, potentially ensuring their continuity in the next administration.

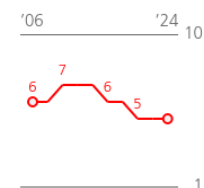
On the other hand, there has been a decline in state capacity across all ministries and public institutions, as the executive branch has implemented an austerity plan. This plan involved merging various branches of government, downsizing departments, laying off thousands of senior and mid-level officials, and reducing the salaries of the remaining staff. The number of ministerial resignations has been high, with unqualified officials coming to occupy some of the most important positions. Due to the concentration of power in the executive, AMLO makes decisions in all areas, even those where he lacks expertise. For instance, the first minister of finance resigned when AMLO rejected the economic plan prepared by his office and unilaterally wrote a new one and presented it to Congress.

The management of the pandemic was disastrous, resulting in one of the highest excess death rates in the world. This outcome was attributed to decades of insufficient investment in the health system and the government's cancellation of the Seguro Popular health program two months prior to the pandemic.

In terms of social and economic policy, the Sembrando Vida (Sowing Life) program aims to reforest rural areas and achieve food sovereignty. Its implementation has been hindered by constant changes in production goals, which have primarily focused on the forestry component of the program, while the agricultural production aspect has been marginalized. In an evaluation of the first three years of Sembrando Vida, the National Council for the Evaluation of Social Development Policy (CONEVAL) identified various problems, including an increase in water demand, the use of plants that are unsuited to the climatic conditions of the receiving regions, and bottlenecks in banking services that hinder efforts to obtain the financial support necessary to sustain the program.

Implementation

5



As hierarchy and centralization of power have become the dominant patterns of governmental action, the context for policy learning processes is quite limited. There are few spaces or institutional arenas within the government that could offer conditions for reflexivity and expert-driven learning effects, as the inner circle of the president's office seems quite ideologically closed. Cabinet members are most keen to avoid incurring presidential displeasure. Experts and members of the public are included in pro forma consultations without any real possibility of making an impact.

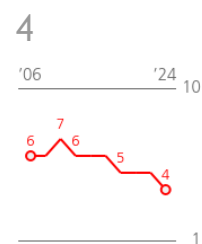
Moreover, Mexico has always lacked comprehensive and professional public service. Most politicians who assume government office lack the training to understand the policies they implement and have little time to learn. Since changes in positions occur frequently for political reasons, most high-ranking politicians are primarily concerned with their careers and therefore try to minimize costs. This characteristic has been even more evident in the present government, as many programs and institutions are being dismantled and, in most cases, redesigned from scratch. AMLO selects ministers, secretaries and other high-ranking officials based on their loyalty to him and his project. Additionally, most social programs lack clear guidelines, and most infrastructure projects do not undergo economic viability or ecological impact studies. Most independent energy, education and competitiveness councils have been weakened or eliminated, preventing any evaluation of the impact of investments or programs.

AMLO's state-centric energy reforms, in particular, have undermined Mexico's climate commitments with regard to renewable energies, while also damaging ties with Washington. The growing role of the military in combating drug-related violence, and in a range of other non-security activities, has caused concern about the sidelining of civilian capacities and private sector actors. AMLO was also criticized for his poor, or rather, lack of response to the COVID-19 crisis, with policies following only after no other options were available. Still, AMLO's failure to introduce a radical transformation has not yet put a significant dent in his approval ratings.

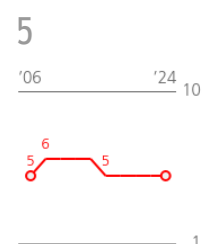
15 | Resource Efficiency

The government faces significant challenges in efficiently utilizing its resources, which are often used ineffectively or impeded by corruption. This issue is particularly pronounced among state governments. Compared to previous administrations, the current administration lacks transparency regarding resource allocation. Unlike in the past, when many contract tenders were biased or unclear, AMLO's administration has simply granted a greater number of contracts directly without any open competition (approximately 80%, as indicated by certain CSO reports). Under previous administrations, the Comptroller of the Republic – an autonomous auditing institution responsible for overseeing fiscal spending – uncovered numerous

Policy learning



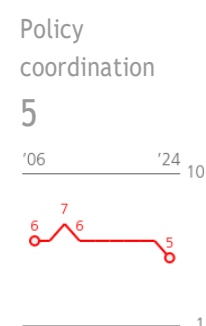
Efficient use of assets



instances of budgetary deviations without any resulting sanctions. The situation does not appear to have improved under the current administration, although the facts are difficult to ascertain due to the intense pressure exerted on this official by the government. Appointments are frequently made with political motivations, leading to individuals being placed in positions for which they are ill-prepared. Additionally, the government consistently launches attacks on the INAI, an independent transparency institution.

Concerning budget resources, at first glance, the present government seems to have been careful in its macroeconomic policies, as reflected in indicators such as the fiscal balance and public debt (see “Monetary and Fiscal Stability”). The government has taken an orthodox approach to avoid incurring budget deficits during the pandemic. However, public debt increased by five percentage points between 2019 and 2021, and the budget deficit grew to nearly 4% in 2022. Additionally, the account balance has fallen considerably into deficit. The government has not implemented a much-needed fiscal reform to acquire more resources, although it has successfully collected taxes from some of the largest enterprises. Under previous governments, these enterprises benefited from large, unjustified exemptions. The public administration has also faced significant strain due to the austerity plans and the dismissal of many high-ranking officials. This situation may explain certain dysfunctions in services, such as the Mexico City metro system, which has experienced recurring accidents and technical problems in recent years.

One principal reason for the deficient pandemic management was the discord between the federal government and the states, partly for political reasons and partly because the federal government has recentralized resources and decision-making. The president has concentrated decisions within the executive at a level unseen since the PRI’s dominance in the 1970s or the Salinas presidency in the 1990s. The president imposes decisions on the different ministries and on Congress. No coordination is really necessary, as the president makes all decisions and announces them in his daily press conference. The health care system has been recentralized, and security policy is completely controlled by the central government. The National Guard, an arm of the army, makes all security-related decisions, while the state and municipal police are totally ignored. Relations between state and local/municipal governments are at the mercy of arbitrary state governments. Because most government actions are directed from the top down, they encounter resistance and inefficiencies in the implementation process.



The fight against corruption is the government’s main discursive theme and, in principle, involves one of its primary goals. The main anti-corruption agencies, the Secretaría de la Función Pública (SFP) and the Unidad de Inteligencia Financiera (UIF), predate the current presidency and are linked to the government. The National Institute for Transparency, Access to Information and Personal Data Protection (INAI) is the only autonomous body. INAI guarantees that any federal authority, autonomous body, political party, trust, public fund, union, individual or legal entity that receives and exercises public resources or performs acts of authority delivers the public information requested by citizens. INAI has succeeded in improving access to information and transparency. However, AMLO’s government claims that it is too costly and is “superfluous.” The president vetoed two INAI commissioners elected by the Senate, meaning that the body will only have four members. According to Article 33 of the Federal Law of Transparency and Access to Public Information, there should be seven commissioners, and sessions should be held with the attendance of at least five of them. This could mean that the institute could become inoperative.

AMLO de facto disregards established transparency institutions, undermining or dismantling them. He relies on trusted ministers to award public contracts, bypassing established procedures and increasing discretionary spending. Although a public procurement system is in place, the government chooses not to utilize it. Additionally, the current public prosecutor maintains a close relationship with the president, which raises questions about his autonomy and track record.

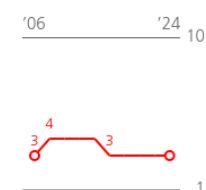
Party funding and the specific rules regarding the accountability of officeholders have been a problem in Mexico in the past. At the close of the review period, AMLO was trying to pass a law that would allow government officials to bypass certain rules, enabling them to intervene in campaigns. This would adversely affect transparency and equity in elections. Drug cartels are also known to interfere in elections and provide support to select candidates, urging their followers to vote for them, or even carrying out targeted killings of opposition candidates.

16 | Consensus-Building

Mexico has abandoned its consensus-based approach to politics as a result of politically induced polarization and the exclusion of important societal actors from the public sphere. This includes universities, academic experts, cultural entities, business associations and civil society representatives. Instances of lost or even destroyed consensus can be observed in areas such as education reform, the transformation of the country’s energy sector and respect for autonomous institutions, including the judiciary. The current president, AMLO, has consolidated power in the presidency to an extent not seen since the dominance of the PRI and the Salinas presidency. He directly appeals to “the people,” clearly aiming to sideline political parties, parliament and the judiciary. His statement, “Por encima de la ley, está el

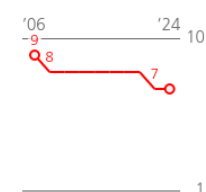
Anti-corruption
policy

3



Consensus on goals

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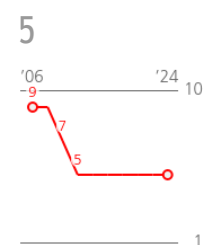
pueblo” (“Above the law, there is the people”), along with his appeals to the “wisdom of the people,” signify an unconventional understanding of the concept of democracy. During the first three years of his term, the current government party held an absolute majority and now remains the largest party, enjoying a simple majority in Congress with its allies. Consequently, it can pass laws with relative ease, although constitutional modifications are no longer within its power. AMLO has also criticized journalists and independent organizations that offer critical perspectives on government policies and actions. He has reduced funding for civil society organizations (CSOs) and threatened to eliminate some of them while integrating their functions. Lastly, the military has assumed an increasing number of tasks previously handled by civilians and has gained significant economic power through its management of the new airport and the Maya Train. This development potentially poses a threat to future democracy.

While there is a general consensus on the benefits of the market economy, it is weakened by growing divergences over strategic priorities. As the Mexican economy has shown only moderate success in its ability to grow, create jobs and improve the lives of most Mexicans, criticism of the limits of the market economy has increased. AMLO claims to run an anti-neoliberal economic agenda; however, this is de facto not the case. The current government is not anti-market, although it favors an active role for the state, especially in the energy sector and in redistributing resources to improve the situation of the poorest Mexicans. He has expressed criticism of business sector actions in the previous “neoliberal period,” undermining the confidence that this sector needs to encourage investment. As a result, private investment levels were already very low in 2019. Nonetheless, he signed a new free trade agreement, the USMCA, that is not much different from NAFTA, its predecessor. In this sense, he has too many constraints to go against the market. High levels of staff turnover in Mexico and a perceived lack of meritocracy remain major obstacles to the basic consensus.

Although AMLO has centralized power in the executive, weakened some democratic institutions and attacked others (the press, NGOs, social movements), the president has by no means questioned democracy as the “only game in town.” He governs by creating polarization between “the people” and the rich, the middle classes, and the corrupt and racist people. It is unclear how far this process will go, especially if he perceives that the opposition may win in the next elections, which is currently highly improbable.

The major nondemocratic actors are the drug cartels and organized crime groups, although they may prefer Mexico’s weak democracy to a hard-line autocracy. They have killed dozens of elected officials at the local level in many regions, killed candidates during the last election, and have either killed or enabled other actors to kill social leaders and journalists. In some cases, they have even impeded local elections. The army has increasingly been assigned previously civilian tasks, which may be worrisome if AMLO fails in his presidency and Mexican society fragments further.

Anti-democratic actors

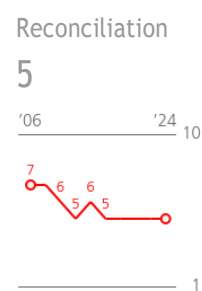
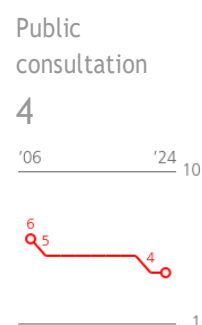


AMLO’s political strategy is to maintain power and secure victory in the upcoming elections. In order to ensure political support, he has allocated resources to the impoverished, the military and his affiliated political parties, and has further divided society along traditional populist lines, labeling some individuals and entities as “good” and others as “evil and corrupt.” AMLO’s narrative focuses strongly on corruption and the country’s neoliberal distortion over previous decades, which has become the primary divide in Mexican political discourse, overshadowing all other structural divisions in terms of political significance. The existence of rival demonstrations is evidence of Mexico’s deepening polarization since López Obrador’s election – an ever-widening division that the president and his party have deliberately fueled and increasingly exploited to suit their political agenda. Although this conflict has to date remained primarily verbal, there is always a possibility that it could escalate if the president and his supporters perceive his transformative project to be at risk. This tension could potentially evolve into a more violent situation if the government feels it is losing ground to the opposition, particularly if AMLO faces the prospect of MORENA losing the 2024 elections. In summary, the most significant divide in Mexico presently is not between the left and right, but rather between those who support AMLO and those who oppose him.

AMLO openly criticizes social organizations and mostly ignores civil society actors. He not only neglects civil society participation and formulates policy autonomously but has cut all funding to civil society organizations and associations. He considers it an achievement that aid allocations tied to government social programs are given directly, on many occasions with the aid of the army. The president has also organized bogus public queries or avoided public consultation altogether regarding the most significant infrastructure projects, although the law demands such activity. For example, the administration did not consult any environmental organizations before launching the Maya Train and did not consult most of the Indigenous communities it affects. Instead, the president has resorted to denouncing environmentalists and civic groups, claiming that they are paid by conservative opponents or receive funding from abroad to oppose certain projects.

The issue of reconciliation has not been addressed by the current government, as it has been since the Calderón government. Although a leftist government might be expected to raise the issue of the “dirty war” against the guerrillas in the 1960s and 1970s and the repression of students in 1968 and 1971, the current government largely has not.

The current government has refused to meet with one of the main leaders of the movement of victims of the “war on drugs,” poet Javier Sicilia of the Movement for Peace, Justice and Dignity (MPJD). This is because the government has been ineffective in seeking information on the more than 100,000 people who have disappeared, has cut resources for victims’ organizations, and has continued to rely on the military to combat the drug cartels. Organizations fighting for justice criticize the government’s ineffectiveness, and as a result, the government views these groups



as enemies and has been reluctant to accept any criticism. The government has only pursued the case of the disappearance of the students of Ayotzinapa. A new investigation has been launched to address the issue of reconciliation. However, the presentation of its results was a complete fiasco, and now even the parents of the students are criticizing the government. According to many analysts, this is due to the fact that the military was involved in the disappearances, and the AMLO government does not dare or want to engage in conflict with them, as it depends heavily on the army's support.

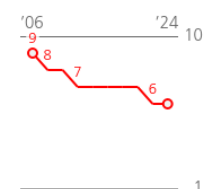
Over the past decade, an emerging coalition of families of victims of forced disappearances tied to the drug war, feminist and Indigenous movements, pro-human rights and anti-corruption NGOs, academics, and international NGOs has been working on the building blocks of a transitional justice process. These groups have identified five priorities for transitional justice: first, new laws and institutions to search for missing persons; second, truth-seeking processes; third, judicial prosecution of perpetrators of atrocities; fourth, reparations for victims of political and criminal violence; and fifth, institutional reforms to prevent future atrocities. Due to the massive volume of violations and current impunity rates of above 90%, Mexican anti-impunity forces are increasingly demanding the adoption of extraordinary mechanisms of justice. This push for a real truth and justice strategy, and ultimately for peacebuilding, has largely failed in its efforts to find an ally in the current government. Reconciliation has not occurred between victims and victimizers.

17 | International Cooperation

While Mexico's development strategy has been primarily domestically focused under AMLO's presidency, the country still maintains proper relations with the United States and other external actors. This suggests a certain level of policy coordination, particularly regarding migration and investment. The strategic partnership between Mexico and the United States aims to secure the Mexican-U.S. border, promote economic growth and create more business opportunities. One example of assistance in this partnership is the financial support provided by USAID to help reduce migrant flows into the United States and address structural challenges related to insecurity, impunity, corruption and the uncertain business environment. This assistance is part of the Country Development Cooperation Strategy (CDCS) goal of "U.S.-Mexico Strategic Partnership Advanced through Mutual Security and Prosperity." Additionally, the European Union has provided Mexico with millions of dollars for humanitarian purposes, including disaster preparedness and migration issues. Furthermore, Mexico is a member of the USMCA, which builds upon existing free trade policies and aims to ensure higher standards for workers' and consumers' rights. Mexico remains open to foreign investment in all sectors except for energy, in the establishment of "maquiladoras," and a few other sectors. Although there is a discourse of moving away from neoliberalism, there is no clear strategy to pursue an alternative development model or establish a domestic technological hub. With

Effective use of support

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geopolitical shifts, Mexico is emerging as a new destination for “nearshoring” economic activities near the U.S. market. The recently announced mega-investment by Tesla in automobile production in Mexico indicates a multi-billion-dollar industrial boom as an alternative to products manufactured in China. Companies and investors are seeking the ideal country to minimize risks such as high freight rates and dependence on the maritime industry, and Mexico plays a key role here due to its geographic proximity to the world’s largest market, the United States. Consequently, the conflict between Russia and Ukraine, as well as the trade war between the United States and China, have presented Mexico with a unique opportunity to attract global investment.

In principle, López Obrador’s government has adopted a sovereigntist posture with regard to international relations. It declined to express a position on the situations in Venezuela or Nicaragua, refused to criticize the former president of Peru’s intent to dissolve the parliament, and waited until the electoral college officially declared Biden to be president-elect to congratulate the new U.S. president. AMLO also rejected the ousting of Evo Morales from the presidency of Bolivia and granted him admission to Mexico. AMLO’s government maintains a close relationship with the Cuban government and has not criticized its most recent instances of repression. Additionally, it has been highly ambiguous in its condemnation of Russia’s invasion of Ukraine. Moreover, it has complicated security cooperation with the United States by demanding that all foreign agents be officially registered and unarmed.

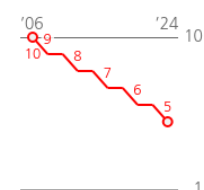
There is also the question of the government’s energy policy, which severely limits private investment in a sector that had been opened during the previous presidency. With this turnaround in the energy sector, Mexico has also raised questions about its own climate policy. The country has left behind its rather visible role in the international climate agreement of Paris and has not honored its prior commitments in that respect. All of this has been tolerated by the country’s most important partner, the United States, because the AMLO government has acted as a barrier stopping migration at both the southern and northern border and more recently accepted that 30,000 migrants per month would wait in Mexico until the United States decides whether to give them permission to enter legally, as refugees or with other status. Recently, the Inter-American Court of Human Rights (IACtHR) condemned Mexico for its practice of preventive detention to hold migrants.

Even in one of the government’s main political objectives – the fight against corruption – the results have been poor. The OECD Working Group on Bribery commented that Mexico’s efforts were insufficient, noting that it “is very concerned that Mexico has not fully implemented any of those recommendations” from its 2018 evaluation. Impunity and extremely low rates of prosecution remained a problem for all crimes, including human rights abuses and corruption.

The International Labour Organization (ILO) has continued to criticize Mexico for violations of trade-union freedom and inadequate consultations with social partners in the implementation of labor reform.

Credibility

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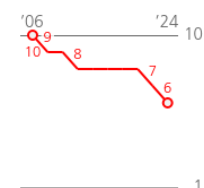


Against all odds, Mexico’s first leftist government negotiated a free trade agreement with the United States and Canada on terms similar to NAFTA. Mexico has also agreed to act as a barrier to migration. AMLO has declared that he aims to enhance integration with Latin America, particularly with countries governed by the left, but he has also expressed a desire for integration of the entire Americas, including the United States and Canada. This stance contrasts with the idea of Mercosur’s integration and other efforts that seek integration without these North American countries. During his CELAC presidency, López Obrador persistently promoted the separatist agenda initiated by Chávez, suggesting that CELAC should emulate the European Union and become a supranational organization with political, economic and social integration, thus rendering the OAS alliance unnecessary.

However, little action has been taken regarding the furthering of regional cooperation. Since coming to power, AMLO has not visited South America at all as of the end of the review period. He has practiced a policy of double standards in the case of Cuba and Peru and refused to give more life to the Pacific Alliance, considering this cooperation to be “neoliberal.” With the return of Lula da Silva to power, fears of the return of “bossy Brazil” are re-emerging in Mexico. There has also been discussion of providing economic assistance to Central America in order to help reduce migration, but the projects presented by the Mexican president to both U.S. presidents, Trump and Biden, have yielded no results. Overall, AMLO’s government is faltering in its efforts to be an active member of the international community. In fact, since the beginning of his term, AMLO has declared that “the best foreign policy is a good domestic policy” and has acted accordingly.

Regional cooperation

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Strategic Outlook

AMLO's election raised high expectations among a large part of the Mexican population, especially the poorest. These expectations have proven difficult to fulfill, especially regarding the promised de-escalation of violence, an end to endemic and general corruption, and reductions in poverty and inequality. There is considerable rhetoric about ending corruption, but after four years of AMLO's leadership, there are rather contradictory signals in this regard. As far as poverty reduction is concerned, the economic situation does not promise great changes. Nevertheless, the government could succeed in reducing inequality by continuing to redistribute resources to the poorest and increasing the minimum wage – two of the most positive measures taken thus far. However, the government lacks a short- or medium-term security program, which means that the disastrous security situation in the country is unlikely to change soon. On the contrary, AMLO's "Sexenio" program is projected to lead to record homicide rates if the actual trend continues.

The government has not been able to encourage economic growth, partly due to COVID-19, and has not succeeded in creating opportunities for informal workers to find better-paid formal employment. Achieving this goal would necessitate a strategic plan and cooperation with Mexican entrepreneurs. However, AMLO's leadership polarizes Mexican society, a situation that appears to alienate entrepreneurs. Additionally, Mexico provided little support to companies in general during the pandemic. The absence of an active countercyclical policy to mitigate the economic effects of the pandemic, coupled with the president's divisive rhetoric, creates an uncertain landscape for domestic capital. Consequently, the economy appears poised for stagnation. This is despite stability in key macroeconomic indicators and an influx of foreign investment. In fact, the export industry is likely to experience significant growth if the United States and other countries continue to relocate their industries from China to Mexico. This trend arises from the strategic confrontation between the Western world and the Asian superpower.

In terms of political transformation, Mexico is currently on a path of de-democratization. President AMLO has consolidated power in the presidency, to the point that it now resembles the situation during the peak of the PRI regime. He has either dismantled or launched verbal attacks on autonomous institutions and intermediary organizations, notably the INE and the TRIFE. If this trend persists, which seems highly probable, it may contribute to a dynamic that further erodes democracy. Additionally, concerns have arisen regarding the army's future role. The army had been given authority by previous administrations to combat drug cartels, along with substantial financial resources. AMLO has now further empowered the military in security matters and beyond, such as in the realm of the economy. The president's increasing reliance on the military is likely to continue growing. Consequently, the military could establish itself as a veto power and a competitor to the civilian authorities.

On the international stage, the United States will undoubtedly remain Mexico's most critical partner, with migration and drug trafficking being the primary issues of concern. Frictions may arise due to Mexico's undefined security policy and other issues, such as the Mexican government's threat to end security cooperation with the United States. However, Mexico's role as a central actor in controlling migration from Central America may prevent conflicts from escalating. Furthermore, in 2020, Mexico concluded an update to the free trade agreement with the United States of America and Canada (USMCA), which provides incentives to allow more products with a higher value-added share from the USMCA area to be duty-free. This agreement will likely provide a significant economic boost for Mexico due to "nearshoring" and the relocation of supply chains to the country. This is especially true considering that the United States is actively working with Mexico and Canada as key partners to address its national security concerns regarding supply chains.