BTI 2022 Country Report

Mexico

Status Index

6.01 **# 50**

on 1-10 scale   out of 137
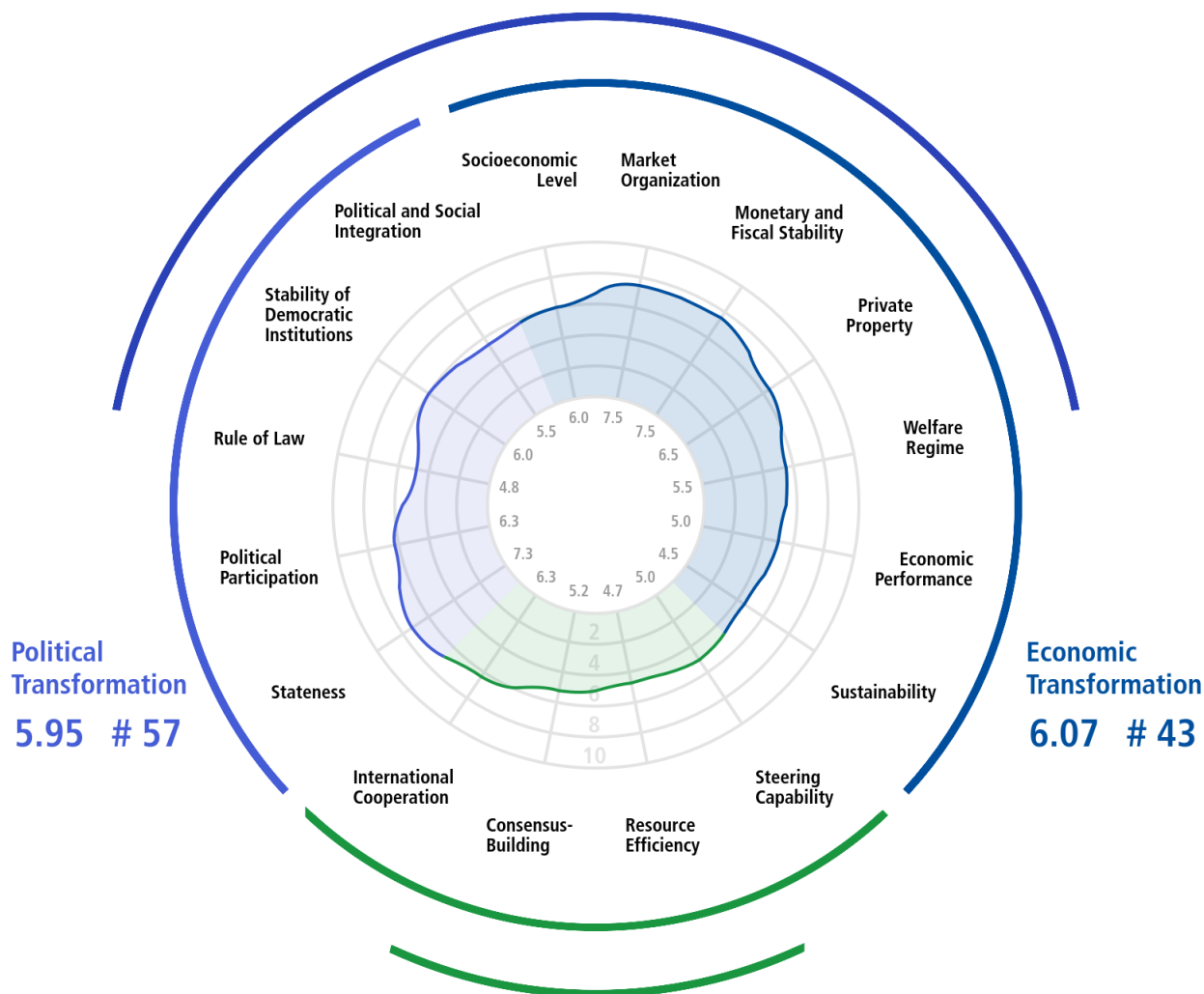
Political Transformation

5.95 **# 57**

Economic Transformation

6.07 **# 43**

Governance Index

4.69 **# 75**

on 1-10 scale   out of 137

Socioeconomic Level

Market Organization

Political and Social Integration

Monetary and Fiscal Stability

Stability of Democratic Institutions

Private Property

Rule of Law

Welfare Regime

Political Participation

Economic Performance

Stateness

Sustainability

International Cooperation

Steering Capability

Consensus-Building

Resource Efficiency

6.0 7.5
5.5 7.5
6.0 6.5
4.8 5.5
6.3 5.0
7.3 4.5
6.3 5.0
5.2 4.7

2
4
6
8
10

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. 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.

Please cite as follows: Bertelsmann Stiftung, BTI 2022 Country Report — Mexico. Gütersloh: Bertelsmann Stiftung, 2022.

This work is licensed under a Creative Commons Attribution 4.0 International License.

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner
Phone   +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann
Phone   +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Claudia Härterich
Phone   +49 5241 81 81263
claudia.haerterich@bertelsmann-stiftung.de

Sabine Steinkamp
Phone   +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	128.9	HDI		0.779	GDP p.c., PPP	$	18833
Pop. growth[1]	% p.a.	1.1	HDI rank of 189		74	Gini Index		45.4
Life expectancy	years	75.1	UN Education Index		0.703	Poverty[3]	%	6.5
Urban population	%	80.7	Gender inequality[2]		0.322	Aid per capita	$	4.2

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.20 a day at 2011 international prices.

Executive Summary

The new government of Andrés Manuel López Obrador (commonly known as AMLO), which took office in December 2018, has proclaimed the "end of neoliberalism." Nonetheless, there have been clear signals that the AMLO presidency will not deviate much from the previous model, aside from increased state intervention in the energy sector. One of the clearest signals of this is the successful negotiation of a new economic treaty with Canada and the United States that deviates very little from the old North American Free Trade Agreement (NAFTA).

Politically, the current government has increasingly concentrated power in the hands of the president. His Movement for National Regeneration (MORENA) party has a majority in Congress, and with his allied parties, he has an absolute majority that would allow him to amend the constitution. Additionally, the federal judiciary is very much under his influence. He has also attacked and threatened the autonomous institutions that ensure a certain level of transparency and vigilance over the government's actions. The president has cut funding to these institutions, as well as to the National Electoral Institute, which organizes elections. His actions have eroded democratic life in Mexico.

The government has not significantly advanced its infrastructure projects (just a few exemplary and controversial cases: the new airport, the Mayan train, the Tabasco refinery). It has also imposed a very strict austerity program on the central government, its ministries and other public institutions. Austerity measures were imposed to save resources for the government's other projects, and (according to official discourse) to fight corruption. Nonetheless, they have currently led to a significant erosion of state capacity and efficiency. One example is the lack of sufficient medication for children with cancer, which shortage has existed for two years, among other less dramatic cases.

Facing the pandemic, the Mexican health care system did not formally collapse; according to official figures, there was never a shortage of beds. Nevertheless, there were numerous reports of

people who could not find a place in a public (or private) hospital and died at home. There is also a general and deep distrust of the public health system, so many people care for their sick parents at home. According to most analysts, there is a large underestimation of the number of people infected and deceased, which may amount to two or three times as many as were officially reported. Even so, Mexico is already one of the most affected countries in the world in terms of deaths from COVID-19.

Economically, Mexico has certainly been hit harder than the other countries on the continent. The government has not implemented an active public policy against the economic impact of the pandemic; on the contrary, due to a lack of financial resources and a refusal to take on debt (even to the IMF), it imposed austerity measures, unlike the rest of the world, where governments increased spending. Moreover, it has not helped the formal private sector to recover after the pandemic's end, as most countries in the world have. The Mexican government is sticking to its original economic and social projects without regard for the economic impact of the pandemic.

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 Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI), which controlled most social organizations. The PRI regime emerged from the Mexican Revolution (1910 – 1917) and, drawing on the constitution of 1917, leveraged the symbolic power of the revolution as a source of its legitimacy and justification for its wide-ranging intervention in the Mexican economy. The three decades following the beginning of World War II were a golden age for Mexico, often referred to as the Mexican Miracle. However, by the end of the 1960s, the economic momentum of the miracle years 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, Mexico's 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 the Miguel de la Madrid government (1982–1988) to initiate a liberalization of the Mexican economy. The governments that followed, under Carlos Salinas de Gortari (1988 – 1994) and Ernesto Zedillo (1994 – 2000), continued this liberal 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 Zapatista uprising of 1994 symbolized the rejection of these policies by those parts of the population that were to lose out from the neoliberal economic strategy. Steadily increasing discontent with the single-party PRI government fueled a surge in support for the opposition parties of the right-wing National Action Party (Partido Acción Nacional PAN) and the left-wing Party of the Democratic Revolution (Partido de la Revolución Democrática, PRD) in the 2000 elections.

Riding the wave of anti-PRI frustrations, PAN candidate Vicente Fox won the 2000 presidential election. And while his victory was met with 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 manage to significantly reduce poverty and inequality. This set the stage for polarization between those who had benefited from Mexico's economic model and those who had suffered because of it. In the highly polarized 2006 elections, the PAN candidate, Felipe Calderón, won by a slim margin (0.56%). PRD candidate Andrés Manuel López Obrador 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 implicate the army in the war against the drug cartels. In part as a political tactic to gain legitimacy and demonstrate to López Obrador's supporters that President Calderón had the support of the army, it was also seen as a means of tackling the growing power of the drug cartels.

Since then, the war against the drug cartels has become Mexico's main 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 an initial year of political successes and economic development, the Tlatlaya and Ayotzinapa massacres, corruption scandals and the plunging price of oil paralyzed the government's reform policies. During its last two years in power, 2017 and 2018, the PRI government administered its policies, but failed to introduce any significant changes. The July 2018 elections marked a pathbreaking moment in Mexico's recent history as a left-leaning party – the Movement for National Regeneration (Movimiento Regeneración Nacional, MORENA) – won the presidency for the first time since the transition to democracy in 2000.

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 by both organized drug crime and ordinary crime. López Obrador vowed to reduce the drug cartels' control through social policies aimed at youth, who are easy prey for criminal groups that provide them with a livelihood. Since there is almost total impunity in Mexico, with 97% of crimes going unpunished, the risk of being caught by the authorities is slight. The pandemic, with the consequent loss of millions of jobs in legal economic activity in 2020, has resulted in more youth being available for the gangs. The current government's social policies, if successful, are designed for the long term.

AMLO vowed to reduce the involvement of the army in the fight against drugs and illegal activities, but he has done the opposite and kept the army on the streets. Despite this, there were 24,807 homicides in Mexico in 2020, 3.9% more than in 2019. The role of the army has been strengthened and this represents a future threat to democracy.

One telling example of the drug cartels' control of large parts of the country is the army having located and arrested the son of "El Chapo" but having to release him when the cartels threatened retaliation against the population of Culiacán, the capital of the state of Sinaloa. Another is investigations revealing that some state governors collaborate with the drug cartels, such as the governor of Tamaulipas, who is the subject of impeachment proceedings in the Senate.

Guerrero, Sinaloa, Tamaulipas, Michoacán, Veracruz, Quintana Roo, Chihuahua, and more recently Jalisco are states where the 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 is also major cartel activity and cartel wars in the Valley of Mexico, for example, la Unión Tepito. The MORENA government has launched a serious campaign to regain control of oil refineries and pipelines under mafia control; it appears that it has had some success.

Question Score

Monopoly on the use of force

5

'06   '22 10

7
  6
    5

1
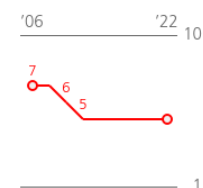
Although Mexico is an increasingly ethnic and religious mosaic, there is no significant ethnic, religious, economic or political group that demands economic, social or political autonomy, much less territorial. Since the Zapatista uprising in 1995, there is a heightened popular consciousness about the fact that some of the country's indigenous peoples face discrimination. This has led to indigenous movements that call for the preservation of identity in the face of the majoritarian national Mexican (mestizo) culture. Nonetheless, they have not posed an aggressive stance toward non-indigenous peoples nor challenged the Mexican state. In 1994, the constitution was changed to define the Mexican nation as a multicultural state. In addition, most municipalities in Oaxaca, where the indigenous population is very large, have been granted the possibility to exert political and civic rights under indigenous customary laws.

This situation has formally not changed under the new government that took office in December 2018. Nonetheless, it is possible that construction of two of the government's largest infrastructure projects, the "Maya" and the interoceanic trains, will cause significant frictions with some indigenous groups they will affect.

Separation between church and state was achieved in the mid-19th century and reinforced by the Mexican Revolution in the second decade of the 20th century. There is no official religion and no religion is taught in public schools. Until 1992, the Mexican government did not even maintain formal relations with or officially recognize any church; the Salinas government amended the constitution. The secular state has been challenged since 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. The only state that has passed liberal laws on abortion and same-sex marriage is Mexico City.

The secular state seems to be likewise challenged by the rise of the evangelical churches in Mexico and the apparent sympathy AMLO has for them; this is paradoxical, since one of his main references is Juárez, the "father" of the Mexican secular state. The evangelical party (Party of Social Encounter, PES) has gained prominence in the current government, since AMLO formed a coalition with it. The president opposes abortion and LGBTQ+ rights on moral grounds. Looking at Brazil, as well as the United States under Trump, this may ultimately lead to a further polarization in Mexico between conservative and liberal positions. While secularism in Mexico has protected the country from culture wars in the past, the erosion of this central character of the Mexican state could mean an increase in the interference of religious dogma in politics in future. In some parts of the country, especially Chiapas and Oaxaca, evangelicals began acquiring adherents in the 1970s. In some communities, they are now in the majority. Since the 1980s, if not earlier, land conflicts have been connected to struggles between Catholic and evangelical communities.

State identity

9

'06 '22 10
9 9
8 8 8

1

No interference of religious dogmas

8

'06 '22 10
9
10 8

1

The Mexican state has been able to expand its reach (e.g., education and health care) since the 1940s. Nevertheless, in 2015, only 85% of the population had access to sanitation, which is lacking especially in indigenous regions and in the suburbs of large cities. The World Bank figure of 96% access to water appears to be exaggerated, as it is well known that around 10% of the population has no access to water. In Mexico City, more than two million people must buy water from tankers.

There are significant differences between regions in administrative capacity and public service delivery. The decentralization of some of the most important public services in the 1990s, namely education and health care, has exacerbated this inequality. Moreover, decentralization has enormously increased the resources governors can manage, which has led to an explosion in corruption over the past 20 years. The current government has recentralized (or attempted to) most services; a centralized health system has replaced the decentralized Seguro Popular. The purchase of medicines has also been centralized. As a result, there have been shortages of various medicines, especially those for children with cancer. Centralization has also come at the expense of the administrative knowhow of local administrations. The decision to appoint "superdelegados," representatives of the central government to the states that manage most of the federal resources has a clear political purpose and implies that the federal agreement between the central government and state governors has been broken.

In addition, the government imposed a strict austerity program on the central administration and other institutions, cutting departments and laying off officials, affecting their activities and administrative capacity. According to official reports, the Mexican health care system did not collapse during the pandemic. Nevertheless, there were numerous reports of people who could not find a bed in a public (or private) hospital and died at home.

2 | Political Participation

Since the 1980s, general elections have become increasingly competitive, fair and free, though specific deficiencies remain. Since the 1990s, there has been a process of institutionalization of the political life with independent institutions, among them the National Electoral Institute (INE) and the Electoral Tribunal of the Federal Judicial Branch (TEPJF), which organize and sanction elections. However, their oversight is limited to official campaigns and elections. What happens in between campaigns and elections and outside of the polling booths is not controlled. Thus, clientelistic practices, carried out by all parties have prevailed: they publicize official programs as their own, distribute food, household appliances, construction materials, money, and other gifts to gather people for their meetings or for elections. On the other hand, there are many loopholes to control "black" money, coming from legal and illegal sources.
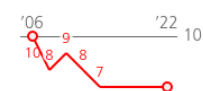
Basic
administration

7

'06   '22 10
   8
7   7   1

Free and fair
elections

7

'06   '22 10
   9
10 8 8   10
         7
                    1

While formally, the institutions that guarantee elections have not been weakened, the attitude of the president in his daily press conferences, during which he continuously attacks autonomous institutions erodes their legitimacy. He also criticizes his opponents, thus intervening directly in politics. This may be critical in the present electoral year.

At the same time, social programs have been extended and strengthened (including the vaccination campaign). They are evidently being used in clientelistic ways, so they will be significant in the next elections.

Finally, the assassinations of political figures at the local and state levels have continued and constitute a considerable obstacle to political activity.

The greatest challenge to an effective power to govern is the increasingly powerful criminal groups that control some municipalities, regions and even states. These groups exert pressure on elected officials and the population, and even control politics through co-optation and violence.

In addition, there are very strong veto actors that have existed for decades, some even for centuries. There are still significant oligopolies that control sectors such as telecommunications, media, banking and cement. One of the most important veto powers is the unions, especially in education and the oil sector. The fact that the teachers' union took a dominant position in the recent repeal of the education reform seems to confirm this.

Finally, an even more disturbing situation concerns the Mexican army. Under the control of civilian governments since the early 1950s, it was strengthened by being entrusted with internal security tasks and receiving significant resources. The current government has not only abandoned its promise to return the army to its barracks but has expanded its responsibilities to include the construction of the new airport in Mexico City, part of the Maya train, and, in the case of the pandemic, vaccination. It also controls the new police force, the Guardia Nacional.

Formally, there are extensive rights of association and assembly and no outright restrictions. Nevertheless, there are formal, informal and even illegal means by which freedom of association can be undermined. These include forming unions before a company starts production, preventing workers from organizing or forcing workers to organize in certain unions, some of which are under the control of employers (i.e., "protection" unions, which have proliferated since the 1990s). To curb these practices, the AMLO 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 could change the situation of Mexican unions, as many (if not most) "protection unions" are rejected.

While the federal government does not pressure individuals or groups to prevent them from exercising their rights, things are opaque at both the state and local levels. This has always been the case, but as the line between legal and criminal actors is diffused
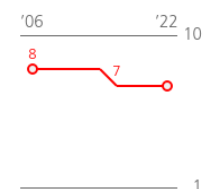
Effective power to govern

6

'06   '22   10

9

7

6

1
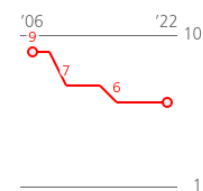
Association / assembly rights

7

'06   '22   10

8

7

1

in many states and communities, threats from criminal gangs or even murders have increased. Social activists and journalists continue to be murdered. Since most crimes go unpunished in Mexico, who commissioned the murders is never discovered. This has certainly made political, social and journalistic activity dangerous.

During the pandemic, between late March and late May 2020, rallies were limited to 50 people. Recently, these restrictions were lifted, and there have been numerous rallies, especially by women against feminicide, which have been blocked from entering the presidential palace, but not banned.

Mexico's mass media is basically free; de jure and mostly de facto, citizens and journalists may speak and write freely. However, electronic media ownership is very concentrated, so that the media groups decide, according to their economic and political interests, which journalists are allowed to give their opinions. There are two main television channels and radio is largely controlled by a few companies.

Freedom of expression

5

'06   '22   10

Nonetheless, since 2000, more than 137 journalists have been assassinated, 11 in the two years the present administration has been in power; most of these cases go unpunished. Reporting on certain topics (e.g., crime, drugs, and the relation between politics and drug-trafficking) is very risky if not impossible in some states or localities controlled by cartels.

President López Obrador has overtly disparaged many of the journalists who criticize his government, some very harshly, as conservative or corrupt. There have been no infringements on the law directly related to his disparagements, although there is a general feeling that this makes journalism risky.

During the pandemic, there were no restrictions placed on information related to the situation. This included interviews with, for example, nurses or doctors in hospitals. That said, some interviewees have suffered retaliatory measures.

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. Because AMLO clearly dominates his party, the separation between the executive and Congress is virtually nonexistent. MORENA passes the government's laws and does not have to negotiate with other parties. At the same time, the independent institutions that monitor and control the executive (e.g., the National Institute for Transparency, Access to Information and Protection of Personal Data, INAI, the INE, the TRIFE), created since 2000, are under verbal attack by the president and their budgets have been significantly reduced; a sword of Damocles hangs over them.
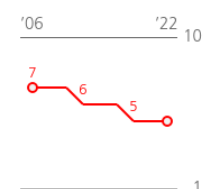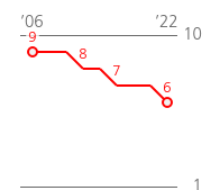
Separation of powers

6

'06   '22   10

During the pandemic, the Mexican government declared a very brief health emergency from March 30 to the end of May 2020. Considering that about 50% of Mexico's working population is informally employed, it was impossible to impose severe restriction measures. Although most non-essential activities were halted, the government did not restrict people's movements or mandate the wearing of masks. Along with Brazil, the restrictions were among some of the least stringent worldwide. An epidemiological color-code system was introduced at the end of May. The federal government determines what color the states are based on the number of available beds and infections. In general, coordination between the federal level and the states is very poor, especially in the case of opposition-ruled states. There was friction due to differing views on closures and openings, and later regarding vaccine distribution.

Except the Supreme Court, neither the federal nor the state judiciary is independent of the executive branch. Since the 1995 reform, when the Supreme Court acquired the status of a constitutional court, it has ruled against the president and Congress several times, but not yet against the current government. AMLO has already nominated two Supreme Court justices. Some decisions seem to have been made in favor of the current government, which does not significantly differ from the situation under the previous Peña Nieto government. Recently, AMLO has openly criticized judicial decisions related to the recently approved energy law, implying a tacit threat to the judiciary's autonomy.

Independent
judiciary
5

'06   '22   10

6
5
1

The 2014 judicial reform created an independent attorney general (in Mexican terminology, a "fiscal general" instead of a "procurador general"), an important change in the relationship between the executive and judicial branches; it took effect in January 2019 under AMLO. Though the new attorney general is an honest jurist, the fact that he is very close to the current president casts doubts on his independence. The recent decision not to file charges against General Cienfuegos, the former defense minister during the Peña administration, who was indicted in the United States and brought back to Mexico to face justice, clearly shows that the situation has not improved.

At the state and local level, the judiciary is clearly biased toward the executive and corruption is rampant. Not much has changed for ordinary citizens who continue to confront a very corrupt judicial system in which criminals are released and innocent people are detained for years before they are even tried.
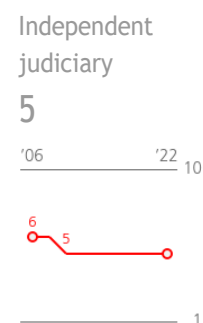
The AMLO government has made the fight against corruption a priority, but results so far have been sparse, if not contradictory. The fact that some key officials under previous governments and governors are under investigation and either in prison or under house arrest seems to be a step in the right direction. AMLO began his term with a large-scale operation to combat oil theft, apparently with some success. However, doubts increased during the period under review as he has attempted to circumvent or weaken the anti-corruption institutions. In addition, he appointed his election campaign security adviser to head the National Prosecutor's Office (the Fiscalía General de la República, which in 2019 replaced the former Procuraduría General de la República as a result of the 2014 constitutional reforms).

Most of the trials of major corruption cases have not started yet. In the Odebrecht scandal, there have been indiscretions, but the trial has not progressed; the former head of the state oil company PEMEX, Emilio Lozoya, is at home as a key witness. In another important case, former Minister Rosario Robles, accused of heading a large illegal party financing scheme, has been in prison for two years without trial. There were several cases involving officials of the current government (notably Manuel Bartlett, head of the state-owned electricity company CFE) and former Defense Minister Cienfuegos, but they have been dismissed. Moreover, numerous corruption cases at lower levels have not been prosecuted. This may be the reason why the population in general has the impression that corruption has not decreased. Finally, while the government has not taken direct action against media or NGOs that expose corruption or even criticize dubious actions by the government, corruption has been used as a threat against some outspoken critics, particularly in the private sector, some critical media and NGOs, targeting them as "corrupt."

Civil rights are enshrined in law, but even the most basic rights are violated in practice. AMLO was elected on three distinct campaign promises: putting an end to corruption, targeting the economy to serve the poor, and ending civil rights violations. However, little has changed with regard to the latter; civil rights continue to be violated by the police, the army, and even the judiciary. This has always been a constant for indigenous people, the poor and sexual minorities. Prisons are full of people who have committed minor crimes but do not have the means to hire a lawyer; they can be imprisoned for years before their trial begins. The situation has worsened dramatically in places where drug wars are ongoing. The number of the thousands of people kidnapped by criminal gangs, the army or the police has increased. Due to impunity and the involvement of official bodies in criminal acts, victims of crime rarely report to the police; 97% of crimes go unpunished.

The government has focused on a few exemplary cases of disappearances, most notably Ayotzinapa, and ignored the thousands of other victims and their organizations. The National Human Rights Commission (CNDH), which had gained some prestige, is currently underfunded. In addition, the new president of the commission was elected by Congress in a highly controversial process and is completely ineffective.

Prosecution of
office abuse

4

'06 '22 10

5
4
1

Civil rights

4

'06 '22 10

6
4
1
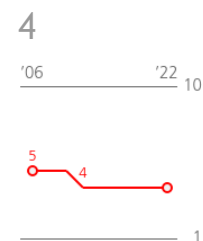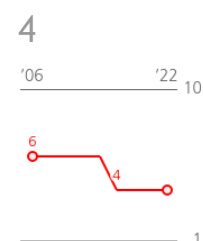
The number of femicides is increasing, being highest in Mexico City, the state of Mexico and Veracruz. There were 735 femicides in 2017, 891 in 2018 and 976 in 2019. According to the United Nations, six out of ten Mexican women have been victims of violence. This situation has worsened with the pandemic, as many people lost their jobs and many women have suffered violence during confinement. Many feminist organizations have called for a femicide emergency to be declared, but the president has not heeded this, instead accusing feminist organizations of being manipulated by his political enemies. Migrants crossing Mexico to enter the United States are subjected to all sorts of abuse by police and criminal gangs. The situation worsens considerably for migrant women, who are often sexually abused.

The government's response to the pandemic was very lax and hardly restricted individual rights at all. The absolute freedom of movement – even when everything was "officially" closed (March – May 2020) – with little mask requirement endangered the lives of many people.
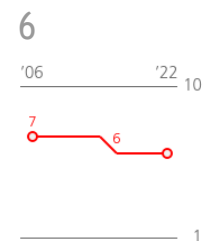
4 | Stability of Democratic Institutions

The AMLO government has increasingly concentrated power in the executive branch. His MORENA party has an absolute majority in Congress, and the federal judiciary is under his influence, which reduces overall friction, but at the expense of accountability. The president attacks the autonomous institutions that organize elections and oversee government actions, limiting their financial resources, which creates further deficiencies.

Performance of democratic institutions

6

'06   '22 10

7
          6
              6

                          1

In addition, the threat to democracy from organized crime is serious, with candidates and elected officials, as well as social activists, being assassinated. In some regions controlled by drug cartels, many local elected officials and police agencies are under their command. In the same regions, the judiciary is also under their power. A growing threat to democracy is the increasing power of the military since it was deployed to fight organized crime. The current government has also given the military economic power and deployed it in construction, vaccination and other civilian tasks.

The most important political and social actors are formally committed to the country's democratic institutions. Both the government and the opposition, as well as entrepreneurs, unions, farmers, social organizations and all political parties are oriented toward democratic institutions and elections, but this increasingly has an instrumental character. The army has so far maintained its loyalty, even though it has been considerably strengthened by the last two presidencies, especially that of AMLO. For the president's project of socioeconomic change, the institutions built since the democratic transition of 1987 – 1990 are secondary to achieving what he and his party consider a "true" democracy. He increasingly uses referendums to confirm decisions, such as to stop the new airport or to establish the Maya Train, but in the end, they are no more than plebiscitary in nature.

Commitment to democratic institutions

6

'06   '22 10
9
   8
       7
           6

                          1

## 5 | Political and Social Integration

Compared to most Latin American countries, Mexico's party system was relatively less fragmented, and voter volatility comparatively low. Three parties – the PRI, PAN and PRD – were each been able to capture a third of the vote, although this has varied with each election. In the 2018 elections, MORENA, headed by AMLO, received 53% of the vote, with 22% going to the PAN-PRD alliance and 16% to the PRI. The PRI received the lowest share of the vote in its history. Some analysts believe the party is on the verge of disappearing, like other traditional parties in Latin America. Currently, Mexico has 10 parties, a lower number than in many other Latin American countries, but a high number in Mexican history. Moreover, polarization has increased significantly in recent years, especially after the 2018 elections, since AMLO builds his legitimacy using discourse to the effect that all previous governments and their sympathizers as corrupt, neoliberal, conservative and so on.

The party system is only very loosely connected to civil society, mainly through clientelism, which all parties practice. The PRI's grounding in civil society has been eroding since the 1980s. The same is true of the PRD, while the PAN has always been an elite rather than a mass party. Nor does MORENA rely on social organizations and movements, but is a party based essentially on elections and clienteles. In fact, the leader of MORENA is distrustful of social organizations; his social policies are based on direct allocation of resources to individuals, without intermediaries.

The PRI, PAN and PRD failed to reconstitute themselves after their defeat in 2018. They have all lost credibility and sympathizers. They lack a coherent discourse to oppose MORENA and have also disastrously governed some of the country's most important cities. They have joined forces to present a united front to oppose MORENA in the 2021 elections. However, because they are so ideologically diverse, it is not certain that they will appear to the public as a credible alternative.

The PRI regime was based on the organization of society through corporatist and clientelistic measures, not only of popular groups, but also business. Since the 1980s, when the PRI-constructed political system began to be weakened by neoliberalism and democratization, these organizations were in a certain sense emptied. Though they continued occupying the social space, they became increasingly less effective as social actors representing the interests of larger population groups. Thus, neither unions, nor peasant, nor other popular organizations effectively represent the population. One exception may be the teachers' union, which has a very efficient vertical structure. Therefore, AMLO was easily able to represent these various groups. In this effort, he has tried to avoid dealing with social organizations and associations and focused policies directly on individuals without passing through any intermediaries.

Party system

6

'06			'22	10

8			8
	7	7
			6

				1

Interest groups

6

'06			'22	10

7
			6

				1
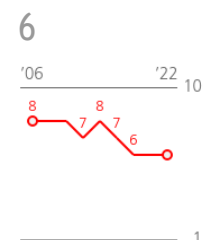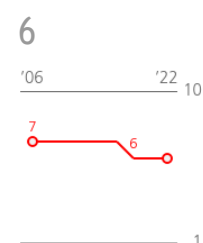
The business associations are somewhat independent and some are quite powerful, especially the Confederación Patronal de la República Mexicana (Coparmex) and the Consejo Mexicano de Negocios, which brings together the largest enterprises. The Coparmex has been the most vocal association opposing government decisions affecting the interests of the private sector. The present executive speaks for atomized popular sectors, while the business organizations speak for private capital. There is some dialogue, but polarization dominates the everyday situation.

According to the latest Latinobarómetro 2018, support for democracy fell to an all-time low of 38% during the last two years of Peña Nieto's presidency. By regional standards, Mexico ranks in the bottom half of Latin American countries. Of those surveyed, 38% do not care whether the country is ruled autocratically or democratically, one of the highest percentages with Brazil, Honduras, and El Salvador (all societies also facing extreme violence). However, the percentage of the population that prefers authoritarian government (11%) places Mexico in the bottom half of Latin American countries.

Approval of democracy

5

'06   '22   10

7
6
5
1

According to Latinobarómetro, government approval (2018) was extremely low (16 %). Trust in other institutions is also rather low, although around the Latin American average. For example, the electoral authority in Mexico received 32% (LA average: 28%), parliament 22% (LA average: 21%), the judiciary 23% (LA average: 24%) and political parties 11% (LA average: 13%). The institutions most trusted in Mexico are churches at 57% (LA average: 63%), the military at 50% (LA average: 44%) and the media at 35%, while trust in the police is rather low (19%).

The fact that the AMLO government criticizes the autonomous institutions that guarantee democratic life in Mexico, while at the same time acquiring legitimacy and sympathy directly from the population, is likely to further undermine popular support for democratic institutions. AMLO's political discourse emphasizes that his own government is not only more democratic than those institutions, but even truly democratic. The population sympathetic to his leadership is therefore led to believe that his government is indeed a true democracy, more so than the institutions of the past. The population concerned about the erosion of autonomous institutions, by contrast, believes the exact opposite; this is part of the problem of polarization in Mexico.

The government's response to the pandemic has not involved imposing strict measures such as confinement or curfews or wearing masks. This could reinforce the impression that restrictive measures were imposed in other countries, while freedom was respected in Mexico.
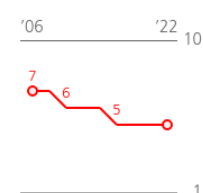
According to the latest Latinobarómetro 2018, interpersonal trust among Mexicans is quite low (18%), though above the regional average (14%). While in 1997 – 1998, trust levels were around 40%, they have plummeted, most likely due to increased, generalized violence. Notwithstanding, there are solid solidarity networks comprising the family, the barrio and sectoral engagements.

While Mexico was a very organized (but controlled) society at the height of the PRI, membership and participation in social organizations that help build social capital are now among the lowest in Latin America. According to Reporte Indigo, there are 27 CSOs per 100,000 inhabitants, compared to 650 in Chile, 170 in Brazil, 270 in Argentina and 670 in the United States; only 6% of the population is involved in a CSO. There were occasional spurts of civil society organizing, for example, after the 1985 earthquake; many of the existing CSOs date from that time and from the democratization process, but recently this momentum has been exhausted. Many CSOs have turned to human rights issues, while others have had to cease activity due to violence. The current government criticizes CSOs as corrupt, conservative and opposed to its so-called "fourth transformation." The government has stopped all funding for these organizations.

While there is no credible indication that the pandemic has reduced social trust, it seems clear that social distancing has had a negative impact on trust issues.

II. Economic Transformation

6 | Level of Socioeconomic Development

Mexico continues to face considerable challenges to reducing poverty and inequality, aggravated by scarce economic growth. In the first year of the present administration, GDP per capita growth was negative (-1.4%), and in the second one, 2020, it will decrease by 10.1% according to ECLAC.

The country ranked 74th, with a score of 0.779, in the 2020 Human Development Index, 10 places above Brazil (0.759) but well behind Chile and Argentina. Mexico's Gini coefficient was 45.4 in 2018, higher than in 2016 (43.4). Six and a half percent of the population lived on less than $3.20 a day (WDI). According to ECLAC (Panorama Social 2019), in 2018, 41.5% lived in poverty, and 11.7% in extreme poverty. With no growth in 2019, the economic crisis due to the pandemic and low intervention from the state during 2020 to guarantee jobs and the sustainability of firms (less than 1% of GDP was spent to sustain economic structure and jobs in 2020), inequality and poverty are rising rapidly; extreme poverty increased from 8.7 to 10.8 million people (about 8.5% of the population) according to the Council for the Evaluation of Social Policy (CONEVAL) in 2020.

Social capital

5

'06   '22 10

5

1

Question
Score

Socioeconomic
barriers

6

'06   '22 10

6

1

The overall loss in HDI due to inequality was 21.3% in 2018, which is lower than Brazil but higher than less unequal countries like Argentina, Uruguay and Costa Rica. In terms of gender equality, Mexico fares better than some other countries in Latin America. The 2019 Gender Inequality Index score for Mexico (0.322) is better than the world average (0.498), but worse than Uruguay, Costa Rica and Chile.

Mexico is bound to be more affected by the pandemic than other countries on the continent because it does not have a more active public policy to counter its economic impact. On the contrary, the country is imposing austerity measures while the rest of the world increases spending.

Economic indicators		2017	2018	2019	2020
GDP	$ M	1158913.0	1222348.8	1268870.5	1076163.3
GDP growth	%	2.1	2.2	-0.1	-8.2
Inflation (CPI)	%	6.0	4.9	3.6	3.4
Unemployment	%	3.4	3.3	3.5	4.7
Foreign direct investment	% of GDP	2.9	3.1	2.3	-
Export growth	%	4.2	6.0	1.5	-7.3
Import growth	%	6.4	6.4	-0.7	-14.8
Current account balance	$ M	-20434.3	-25339.5	-4238.3	26570.6
Public debt	% of GDP	54.0	53.6	53.3	61.0
External debt	$ M	444152.6	455828.1	472378.1	467511.9
Total debt service	$ M	65644.2	58569.0	62801.5	68880.5
Net lending/borrowing	% of GDP	-0.9	-2.2	-2.1	-
Tax revenue	% of GDP	13.0	13.1	13.1	-
Government consumption	% of GDP	11.6	11.6	11.4	12.8
Public education spending	% of GDP	4.5	4.3	-	-
Public health spending	% of GDP	2.8	2.7	-	-
R&D expenditure	% of GDP	0.3	0.3	-	-
Military expenditure	% of GDP	0.4	0.5	0.5	0.6

Sources (as of December 2021): 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 in Mexico since the government opened the economy, privatized state enterprises, and deregulated the economy in the 1980s. The signing of NAFTA in 1994 helped strengthen Mexico's open economy and market orientation. The AMLO government has not challenged this openness, although it has stated that a new economic model will be introduced in Mexico to replace the neoliberal model. This new model will not undermine the role of private capital, even though it implies more state intervention, especially in the energy sector, where the government has essentially reversed the previous government's energy reform in order to regain full control over this sector. However, the role of the private sector (both domestic and foreign) has not been questioned. The Mexican government has negotiated a new agreement with the United States and Canada (USMCA), which maintains free trade but also includes some new labor and rules of origin dispositions.

However, several distortions contribute to an uneven market economy. The 2019 Doing Business report ranks Mexico 94th out of 190 economies in terms of starting a business. In 2019, the first year of the current government, starting a business took 8.4 days (the same as in 2018) and cost 15.2% of per capita income (down one percentage point from the previous year), both below average, and required eight procedures (the same as in 2018), slightly above average. The government does not control prices or foreign currency inflows and outflows; both are determined by the market. However, the Mexican economy is highly oligopolistic. The informal sector is still very large, accounting for between 50% and 60% of the economy. The low GDP growth in 2019 (-0.1%) clearly shows that investment confidence is lacking in the private sector.

The year 2020 was disastrous for the Mexican economy (-10.1% of GDP per capita, according to ECLAC). The government did not intervene to support private companies. It is now expected that many businesses that were able to survive the situation using their own resources will go bankrupt, dramatically increasing permanent unemployment and underemployment.

Formally, the Mexican economy has a solid competition policy framework, but in practice it is dominated by oligopolies. This is especially true in the energy and telecommunications sectors, cement, electronic media and retail (e.g., Walmart). Small and medium-sized enterprises face management difficulties due to administrative procedures, corruption and, increasingly, violence. In addition, small and medium-sized businesses have limited access to financial support because private banks, 90% of which are foreign owned, do not lend to them, preferring consumers instead. The economy is controlled by a limited number of large domestic and foreign corporations.

Market organization

6

'06 '22 10

7 6

1

Competition policy

6

'06 '22 10

8 7 7 6

1
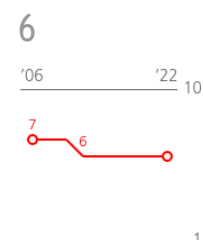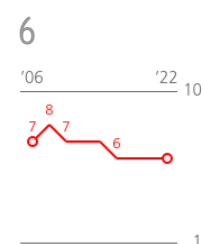
The Comisión Federal de Competencia Económica (COFECE) is tasked with regulating monopolies and trusts and has been recognized for its success in promoting pro-competition reforms. However, it has little power compared to its counterparts in other countries. Regulatory measures take too long to implement, and sanctions are too weak to act as a deterrent. As a result, it is generally unable to effect behavioral change among the very large companies it is supposed to regulate. As with most rule-of-law issues, the legal framework is in place, but the application of the law is poor. Under the current government, like all other autonomous institutions, those that are supposed to ensure competition are criticized as inefficient, costly and corrupt. The task of combatting structural disparities in the market will become more difficult than it is currently. Most of the government's contracts have been awarded directly, without competitive bidding or the agreed-upon extension of a public service contract, outperforming previous administrations in this regard. This obviously hinders transparency and the efficient allocation of resources. The current government states that this is not a problem because it is not corrupt.

Mexico remains one of the most open economies in the world. Its foreign economic policy is determined primarily by agreement with the United States and Canada. Although AMLO and MORENA in the opposition were highly critical of this policy and proclaimed the end of neoliberalism after coming to power, there have been few changes. Except for the energy sector, where the government reversed the reform implemented by the previous government and excluded private capital, it has maintained the freedom of capital in all other sectors of the economy. It has also renegotiated the free trade agreement with the United States and Canada. Although there are some important adjustments regarding rules of origin and labor conditions, the new USMCA does not challenge the former arrangement regarding the movement of capital and goods in the region.

Liberalization of foreign trade

10

'06   '22
10   10

1

Although the government has increased its intervention in the economy (e.g., PEMEX, CFE, and large infrastructure projects), it has not imposed restrictions on goods or capital, has not introduced export subsidies, and does not even promote certain industrial sectors with industrial policy measures. The simple average most favored nation applied tariff in 2019 was 7.1% (13.9% for agricultural products and 6.0% for non-agricultural products). By comparison, in a more protectionist country, Brazil, it is significantly higher, averaging 13.4% (10.1% for agricultural products, but 13.9% for non-agricultural products).

Mexico continues to have free trade agreements with more than 48 countries around the world (including the European Union, Chile and Japan). However, since AMLO is discursively more critical of domestic and foreign private capital than his predecessors, this may be the reason why Mexico's ranking in the 2020 Doing Business Index dropped from 49th to 60th place.

After the financial crisis of 1994, which led to the collapse of the Mexican banking system, banks changed hands and were bought by foreign institutions. Today, the main banks are foreign-owned and account for almost 90% of the private banking system. The banking system has two significant problems. First, the financial inclusion of the Mexican population is low, with 63% of the population using informal savings and 70% using informal credit. Second, the commercial banking sector is highly concentrated and able to charge very high interest rates and commissions to individuals, making banking in Mexico a good deal compared to the banks' home countries. The current government has put pressure on banks to charge smaller commissions, but so far there is no law mandating changes in this regard. An equally large problem is that there is very little lending to SMEs, as banks mostly lend to consumers through credit cards, home and car loans, and investments in government bonds. Despite its stated inward-looking economic philosophy, the AMLO government has not put forth a significant policy on SME financing.

According to the IMF, the Mexican banking system appears to be quite stable and largely complies with international standards, which are often very demanding in terms of risk management, internal controls and capital adequacy. In the IMF's view, the Mexican banking system is resilient and has passed solvency tests adequately. The capital adequacy ratio of 11% (2019) was raised to 13% to address the potential impact of the pandemic. Non-performing loans remain comparatively low at 2.1% in 2019 and 2.3% in December 2020.

The Mexican central bank is one of the most efficient economic institutions in the country. It responded quickly to the pandemic in April 2020, announcing that it would provide MXN750 billion in liquidity and credit to support the country's financial system. It also lowered the key interest rate by 50 basis points to 6%.

8 | Monetary and fiscal stability

The AMLO government locates itself on the political left but, like most leftist administrations that have come to power in Latin America, follows the orthodoxy in terms of controlling inflation, debt and exchange rate stability. Faced with the economic consequences of the pandemic, the government has been criticized (internally and also externally, e.g., by ECLAC and the IMF) for being too orthodox, monetarist, even though the situation calls for Keynesianism.

Inflation has been kept largely under control over the past decade, with annual rates ranging from 2.7% to 4.2%, except in 2017, when it reached 6.0%; the current government was able to bring inflation back down to 3.6% in 2019. The situation of the real effective exchange rate index (2010=100) is different, since the Mexican peso, like the currencies in most other countries, depreciated against the U.S. dollar and the euro in 2020 at the most severe point of the pandemic, falling to a value of 68.8, but recovered in early 2021 to around 81, the same value it had in 2017 and 2018, and slightly lower than in 2019 (83.7).

Banking system

8

'06   '22   10
9
8   8   8
        7
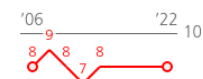
                  1

Monetary stability

9

'06   '22   10
9
10

                  1

The central bank is independent since the reforms of President Salinas (1988 – 1994) and it has been very important for controlling inflation. Critics objected that it did not care enough about job creation, but it is constitutionally obliged to only deal with exchange rate stability and inflation, contrary to central banks in the United States and Europe. Although López Obrador has declared his wish that the central bank takes into account employment, the bank has stated that it will not change its mission, which is defined by its internal laws.

The AMLO government has been orthodox in its fiscal policy before, during and after the pandemic. Although there were concerns as to how the government would finance its social policies and infrastructure projects, the budget presented for 2019 and 2020 is balanced and austere. After two governments under which the national debt increased significantly, debt has stabilized. AMLO has argued that the fight against corruption will be enough to increase government resources and that neither tax reform nor increased debt is necessary. Critics, however, claim that the apparent austerity plan would not be implemented for reasons of sound fiscal policy, but with the goal of concentrating financial resources in the hands of the central government.

Fiscal stability
6

'06   '22 10
        8
    7   7
               6
                            1

Even in the face of the pandemic, AMLO vowed not to increase the deficit and not to further indebt the country, even though the situation required (and requires) urgent responses: more resources to fight the pandemic; even the IMF recommended this. One would have expected any government, but especially a left-leaning one, to adopt countercyclical economic policies, but no other country in the world remained as orthodox as Mexico. In fact, although the effects of the government-ordered partial shutdown of the economy from March to May 2020 were grave (the economy contracted by 18.7% in the second half of the year), the government did not implement a significant program to support the economy, although it continued its large aid programs and infrastructure projects. It even imposed additional austerity measures on the administration.

However, despite the promise not to increase public debt, taxes or the budget deficit, the federal government's public debt increased from around 35% of GDP in 2015 to 36.4% in 2019, to 42.6% in 2020 and to 63% in 2021. The budget deficit has remained low, at 1.1% of GDP in 2017, 2.0% in 2018, 1.7% in 2019 and 2.1% in 2020. Nevertheless, it will increase to 3.4% in 2021, largely due to the economy contracting by around 9% in 2020.
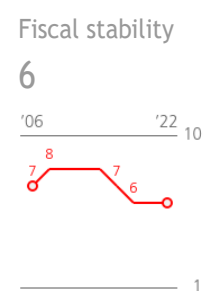
9 | Private Property

Private property is enshrined in the Mexican constitution (Article 27) together with public property and social property. Although AMLO is clearly more in favor of public property, he has not threatened private property rights. These will continue being well defined for multinational companies, as well as for large and medium-sized Mexican companies. The president and his party (which he controls absolutely) do not propose any form of nationalization. He has, nonetheless, limited private investment in the energy sector, stopped the ample tax exemptions previous governments have allocated not always according to clear terms and imposed stricter regulation of the labor market. The government has also vowed not to reform the tax law, at least until the second half of AMLO's mandate.

The situation of small businesses was structurally very complicated even before the present administration. In the first place, there are significant problems in defining the property of individuals and small businesses at the micro level, linked to the inefficiency and corruption of the administrative and the judicial system. Similarly, individuals may encounter problems registering their houses or apartments; there are numerous frauds in these transactions. In addition, many small and micro businesses function informally. The owners do not register their firms, pay taxes or register their workers – because they cannot afford it and they do not see any advantage in doing so. This makes them vulnerable to extortion by trade unions, tax collectors and the police.

Violence and the ever-increasing power of criminal groups in some states (e.g., Guerrero, Michoacán, Veracruz and Colima), and especially in northern cities and regions, poses a real threat to all companies. Criminal organizations demand ransom in exchange for "protection." In addition, these criminal organizations are stopping trucks and stealing merchandise as well as hijacking workers, technicians in mines, agricultural concerns, and oil fields.

Although López Obrador considers public companies more important than private ones, and although he has even stated (in the context of the energy sector) that the country does not need private investment, he is aware that the country cannot do without private companies. Private companies are largely given a free hand. There are few regulations limiting or guiding sectoral investment, but there are numerous bureaucratic obstacles to starting and running a business and other regulations with which many micro and small businesses cannot manage to comply. As a result, many small businesses operate informally. Privatization was largely completed in the 1990s. The last major sectors still in state hands, oil and electricity, have had access to private capital (domestic and foreign) since 2012.

Nevertheless, the fact that Mexico's economy is dominated by oligopolies is the most significant obstacle to the functioning of businesses, especially small and medium-sized ones, which have to pay high prices for services such as telephone, internet and

Property rights

6

'06   '22   10

7
        6

        1
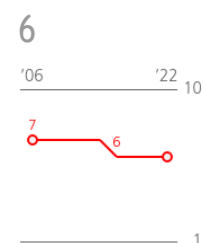
Private enterprise

7

'06   '22   10

8   7

        1
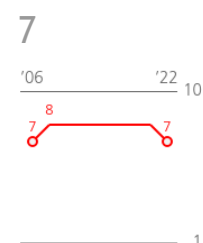
credit (when these services are available). In addition, the informal sector is an unfair competitor for those already in business, especially for the small and medium enterprises that pay taxes, pay slightly better wages and provide social benefits to their workers.

The government did not help large companies during the pandemic, even in the hardest-hit sectors such as airlines and hotels, because AMLO believes that large companies have the means to save themselves. But not even the small and medium-sized businesses that most needed government support received it. They unsuccessfully requested a moratorium on taxes and levies until the situation normalized. Nor did they receive assistance paying their water and electricity bills. The government launched a single program for the sector, but according to its representatives, it was woefully inadequate: a MXN 25,000 ($1,200) loan that also encountered bureaucratic obstacles. A certain crowding-out effect occurred in large infrastructure projects, since most of those are constructed by the army and private companies have little or no involvement.

10 | Welfare Regime

The social security system is the area where the current government has made the most changes, most radically in health care. The Mexican pension system has never covered more than 30 % of the population; it includes only workers in the formal sector of the economy. Since the reform from a pay-as-you-go to an individual capitalization system in 1995, it does not seem to have improved; an increasing number of people will be left with small pensions because they cannot save enough during their productive lives. The current government has not significantly reformed this system; it has only passed a law to limit the commissions charged by banks. In the current economic crisis, many people facing unemployment withdraw part of their savings from the pension fund administrators (AFORES), which decreases the system's efficiency further. The previous government implemented a nationwide non-contributory pension system (which had already existed in the City of Mexico since the López Obrador governorship) that allocated about $30 per month to those over 65. The current government decided that this pension was now payable to people over 68 and doubled the amount to about $60 per month.

The AMLO government canceled a large Conditional Cash Transfer (CCT) program, Prospera, which supported about six million families with about $30 per month, equivalent to 1.3% of GDP. This program helped reduce extreme poverty, although it was criticized for its inability to reach the "working poor." There were also accusations that it was used for patronage purposes in some states. 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

Social safety nets

6

'06   '22 10

6

1
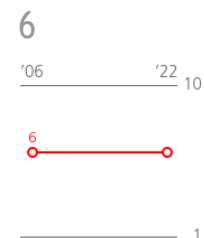
universities; all recipients must be registered by government officials. Most of this aid is given to poor families and therefore not universal, seen as assistance rather than a right. For these reasons, this aid is vulnerable to patronage manipulation.

The public health care system has significant deficiencies. It is divided into three systems: one for civil servants, another for private-sector workers and a third for the rest of the population. Workers in the informal economy are covered by the Ministry of Health's rather inadequate non-contributory public system. The health system is underfunded compared to other Latin American countries, at only 3.3 % of GDP. All of this results in extremely high out-of-pocket expenditures (about 50%) compared to countries like Brazil and Argentina (30%). The current government has allocated more resources to this system in light of the pandemic, but these resources are insufficient.

The AMLO government ended the Seguro Popular program, which was introduced in 2005 to provide health care to members of the population not covered by any other system. It introduced a universal health care system, INSABI, without significantly increasing the budget, except for funds to expand the emergency hospital infrastructure and purchase vaccines. 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.

In the face of the social crisis created by the pandemic, the government has not introduced a vital minimum income, as many other countries have. It has not helped businesses or the informal sector. It has allocated less than 1% of gross domestic product (GDP) to combat the economic and social consequences of the health crisis, while other Latin American countries have spent up to 10 times more.

Non-citizens and migrants formally have the right to receive health services, but no other benefits (pensions, scholarships, etc.). Health services are essentially emergency care in the hospitals and clinics run by the Ministry of Health. Nevertheless, there is a lot of arbitrariness (and racism) in terms of who gets care and who does not. Migrants are most likely the last to receive health care.

Under the AMLO government, there have been no significant improvements in terms of structural inequality affecting the indigenous population, women or migrants. In the case of the indigenous population and migrants (see "Civil rights"), the situation has even worsened. The indigenous population, which represents between 6% and 10% of the total population, is marginalized. While the country's overall literacy rate is 94%, it is only 67% among the indigenous population; 26% of indigenous people have no schooling and 27% have attended only a few years of elementary school. One of the most important infrastructure projects, the Maya train, will pass through many indigenous areas. It is being built without real consultation with members of these communities and is likely to have significant consequences for them. Benefits of a program called Sembrando Vida, which seeks to plant trees in degraded areas, will be allocated to individuals, which may undermine solidarity in indigenous communities.

Equal opportunity

5

'06   '22 10

5

1

Women's literacy and school attendance rates are almost equal to men's at all levels. The Prospera program has played an important role in this regard, providing scholarships for women from the poorest households, especially in rural areas. The enrollment rate of women and men is 100% at the primary level and 108% at the secondary level. At the tertiary level, where Prospera has no influence, the ratio is slightly negative in favor of women at 95%. The current government has canceled this program. The employment rate for women is comparatively low (36.5 %). However, this figure may not account for women who work in informal jobs, help their family members in small businesses, or run small grocery stores outside their homes or on the streets. This reinforces rather than reduces inequality between men and women. Inequality for women is also evident in the high rate of femicide (see "Civil rights"), which the current government is very reluctant to address.

11 | Economic Performance

In the first year of López Obrador's term, the economy stagnated, and in the second year, the economy was hit hard by the pandemic. However, there was no active countercyclical policy to counter the economic effects of the pandemic; rather, the government stuck to its original economic and social projects. Due to a lack of financial resources and the refusal to take on debt (even from the IMF), the country adopted austerity measures, unlike the rest of the world, which increased spending. This is hardly reflected in the unemployment data, which increased only slightly from 3.4% (2019) to 3.7% (2020), but the typical problems are underemployment and the high percentage of informal workers. GDP per capita data better reflects what is happening, as it decreased by 1.4% in 2019 and by about 10% in 2020 (ECLAC).

Output strength

5

'06   '22 10

7   8   7
       6
            5

1

While investment was around 23% of GDP in the last 10 years and foreign investment was around 3% of GDP in the last five years, it was 21.4% and 2.3%, respectively, in 2019. The federal government's public debt has hovered around 35% of GDP since 2015, reaching 36.4% in 2019 and rising to 42.6% in 2020. The budget deficit remained low at 1.1% of GDP in 2017, 2.0% in 2018 and 1.7% in 2019. Inflation has been kept largely under control but could rise from 2.8% in 2019 to 4.0% in 2020, according to ECLAC.

12 | Sustainability

On paper, environmental legislation is quite progressive by international standards, but in practice it is not. This is also true of Mexico's commitments under the Paris Climate Agreement, in which the country pledged to reduce its carbon emissions by half by 2050. Here, Mexico is far behind implementing its pledge, and under the current government, the emissions have even increased. The fact is that most rivers and water sources are polluted, and water is used very inefficiently for both human consumption and irrigation (about 40% is wasted). In addition, water is rarely treated or reused by businesses or municipalities. Deforestation is a serious problem in large parts of the country.

Admittedly, the AMLO government initially halted construction of the Mexico City airport on Lake Texcoco, which many analysts considered environmental murder, and officially banned fracking (although there are unconfirmed reports that some fracking zones are still active). But all other policies fail to take ecology into account. For example, the government is building a refinery in Tabasco that has already destroyed much of its mangrove forest. The construction of the Maya train will have an enormous impact on the ecology of the Maya Peninsula, as not only will train tracks will be laid, but also train stations at various tourist sites will be built and eventually restaurants, hotels, stores and small towns.

In addition, the government has increased energy production using carbon resources and fuel oil, discouraging investment in alternative energy sources. Mexico is on a path to re-carbonizing its economy, insisting on using oil and gas from national production. The government has channeled resources to the carbon sector and classified renewable energy projects as damaging to the national economy. It has also radically cut the budget of the Ministry of Environment.

Public awareness of environmental problems has grown in recent decades, especially through the activities of environmental NGOs. This may force the government to do more for the environment in future. Although the government has not paid attention to environmental organizations and has not seriously consulted indigenous communities, some of these have been very active in opposing various government projects.

Environmental
policy
4
'06   '22   10

6
5   5
      4

1
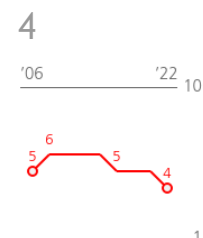
Education policies have contributed and continue to contribute to a system of education and training that tends to be substandard. While Mexico's literacy rate (94.5%) and school enrollment rate (close to 100% at the primary and secondary levels) are not bad, the quality of education at the primary and secondary levels is very poor. In the 2019 UN Education Index, Mexico ranked 47th (out of 133 BTI countries considered) with a score of 0.703, on a similar level to Ecuador and Panama. According to the PISA tests, Mexico ranks in the bottom third of tested countries in science, mathematics and reading, well below the OCDE average and only slightly above the Latin American average. Even more troubling is the fact that the overall performance of Mexican students has not improved since 2006.

The education problem reflects less financial than it does political obstacles. Measured as a percentage of GDP (5.2 %), Mexico's public spending on education is in line with that of other developing countries such as Brazil, China and India. Teachers' salaries are also not significantly different from those in countries with a similar level of development. Rather, the fault lines lie in the established system. The elementary school system is dominated by the teachers' union, the largest union in Mexico and a remnant of the former authoritarian regime. The Peña government tried to push through educational reform that would improve teacher quality, which is certainly the core problem. This was done at first without consulting the teachers' union and linked to the fact that evaluations of teachers' qualifications could lead to sanctions, including the loss of their jobs. Accordingly, reform was opposed and undermined by the union, especially by its most radical members in the poorest states (those most in need of reform). The AMLO government simply repealed the reform without providing an alternative. The main focus of the AMLO government has been giving scholarships to children and youth from primary school through university level, although not in a universal manner, except at the secondary school level.

With spending of only 0.43% of GDP on R&D, Mexico clearly lags behind countries such as Brazil and China, which spend 1.2% and 2% of GDP, respectively. This is the lowest level of R&D investment among OECD countries, behind Turkey, Poland and Slovakia, and lower than many other countries with similar levels of development. R&D is not a priority for the current government, as can be seen from the fact that it cut the budget of the CONACYT research consortium by half. In addition, scholarships for Mexican postgraduates who want to study abroad have been cut significantly, the assumption being they could also obtain their degrees domestically.

Education policy / R&D

5

'06   '22   10

5

1

Governance

I. Level of Difficulty

Organized crime, poverty, lack of human capital and inequality remain the main structural impediments to growth and productive investment in Mexico. Poverty remains high, with extreme poverty estimated at about 11% of the population and poverty at about 42%. According to CONEVAL, extreme poverty in Mexico increased from 8.7 to 10.8 million people due to the health crisis. Other obstacles include the low quality of jobs and low wage levels, as well as the lack of infrastructure, especially in the south of the country, where the poorest segments of the population live. Although the labor force's average educational level and competitiveness are quite high, there is a lack of highly qualified personnel at mid-level engineering and administrative functions.

Perhaps the most important obstacle to governance is the widespread violence and ungovernability affecting almost all Mexican states (except Yucatán, Campeche and Aguascalientes), where local police and politics have 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 such as Cancun, Acapulco and Veracruz.

Added to the economic consequences of the pandemic is the deaths of more than 100,000 people, if one accepts the official (very underestimated) figures, or between 200,000 and 300,000, if one counts the excess deaths. These deaths occur not only among the elderly, but also among middle-aged men, which is likely to have a negative impact on the labor force.

Civil society traditions are still not very strong in Mexico. Despite a considerable number of active civic associations, there is still little in the way of a civic culture of participation in public life.

The former PRI regime was based (until 1990) on the state's control of social organizations. Most traditional organizations are still led by old-guard figures and even those groups that have seen a change of leadership have maintained an authoritarian organizational culture. Clientelism is deeply embedded within the political culture of citizens and organizations. The new civil society organizations that emerged during the 1980s were very important for the democratic transition as they were the social base that led to the creation of the PRD, which was a coalition
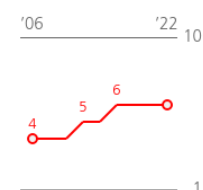
Structural
constraints

6

'06   '22   10

1
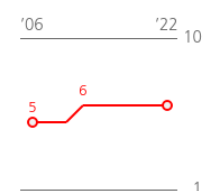
Civil society
traditions

6

'06   '22   10

1

of social movements, and then MORENA. Nonetheless, these movements within the PRD and MORENA are bureaucratized and have reproduced the clientelistic practices of the previous PRI regime.

Although AMLO's presidency would not have been possible without the mobilization of numerous social movements since the 1980s, the president remains highly suspicious of these organizations because of their autonomy. AMLO has clashed with women's groups, victims' advocacy organizations, anti-corruption groups, and human rights organizations. He has ordered that no civil society associations be funded, and all aid to the poor is concentrated in the hands of the state and the president. The sector of civil society that could see some change is trade union organizations. The new labor law, which will have practical effects in the next few years, could result in the disappearance of unions controlled by employers (the so-called protection unions) and the so-called official unions gaining more autonomy from the state.

Finally, civil society activists and journalists face a drastically worse situation due to the violence experienced in Mexico and the maelstrom triggered by the "war on drugs." This has also further weakened social capital, particularly in those areas directly affected by such violence.

The ongoing crisis of violence has nothing to do with political or social divisions but is the result of the activities of criminal gangs that traffic drugs and people, steal gasoline and extort money from businesses. The current government has failed to curb this violence. The number of deaths caused by criminal violence is even slightly higher than it was under previous governments. In addition, political representation has weakened in recent years and civil society organizations do not have sufficient capacity to channel social discontent and demands, so that expressions of social discontent increasingly turn to violence.

Conflict intensity

7

'06   '22   10

7

5

4

1

The last election, in which AMLO won the presidency, further polarized society. While supporters of his MORENA party have high expectations, its opponents reveal alienation from the government. AMLO has reinforced polarization of public opinion in his daily press conferences. Almost every day, he responds to critical comments about his policies by claiming that they come from conservatives and corrupt people who have lost all their privileges in the current government. The polarization has not yet escalated to violence, but it could if the pandemic and its economic consequences continue to affect and block the transformation undertaken by the political movement that brought AMLO to the presidency.
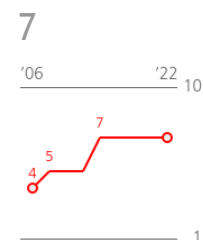
II. Governance Performance

14 | Steering Capability

AMLO's government began with the promise of a "fourth transformation" (4T) –
after the War of Independence (1810 – 1821), the Reform War (separation of church
and state, 1858 – 1861) and the revolution (1910 – 1917). The 4T is directed against
the old "neoliberal regime" and its "corrupt" profiteers, focusing on ending
corruption, greater equality, public security and national self-reliance. However,
these goals were not concrete and seem to be somewhat eclectic, because although
the government presents itself as being strictly against the "neoliberal paradigm," its
fiscal policy is clearly conservative. Although one cannot speak of an overall coherent
policy strategy, nor of any significant strategic capacity of the government to organize
its policies, one constant in its strategic approach is the erosion of those independent
institutions government officials see as obstacles to the implementation of 4T. There
is an overall lack of planning tools, conceptual discussions and strategic actions for
ministries, depending on their access to the presidency.

Nevertheless, despite the generally ascribed personalistic focus on AMLO, the
government has implemented projects and programs that go beyond the president's
daily ad hoc decisions and focus primarily on social programs and infrastructure. The
government has at least maintained its broader goals of "zero corruption" and
combating inequality. The latter has led to the implementation of 30 projects and
programs focused primarily on social assistance, credit and infrastructure. Corruption
issues are also repeatedly addressed, most recently in relation to the judiciary. Efforts
to rebuild PEMEX or the (intended) reform of the energy sector can be interpreted as
national self-reliance.

The government has not changed its main priorities even in the face of the pandemic.
Although it poured significant resources into the health sector in 2020, the budget for
2021 was actually cut compared to 2019. Nor has it abandoned or postponed its
infrastructure projects in order to invest in preserving jobs in the formal sector or
strengthening the health system.

Question
Score

Prioritization
5

'06   '22 10

6   7   6
            5

                  1

AMLO won the presidency with a platform of reducing poverty, corruption and violence. The easy part was to increase the number of people the state supports and increase state investment. More elderly people receive non-contributory pensions, and the amount has doubled (to about $60 per month); the government has created a number of scholarships and provides financial support to 500,000 peasants (via Sembrando Vida). Nevertheless, one year without growth (2019) and the enormous consequences of the pandemic in 2020, which left 12 million people unemployed in May, along with the government's very weak response, have led to a significant increase in poverty and inequality. Though they are not a top priority, the government is continuing with its large infrastructure projects, primarily for political reasons. They are being implemented by the army, but it is not clear whether the army is actually capable of building them according to best practices. Nor is it clear whether the army is not involved in corruption, as the president claims, since its affairs are completely opaque.

In general, there has been a loss of capacity in all ministries and other public institutions as the executive branch has implemented an austerity plan that merged various branches of government, downsized departments, laid off thousands of senior and mid-level officials and cut the salaries of the rest. The number of ministerial resignations is high, and some of the most important posts are filled by officials who are not qualified for their jobs. In addition, the concentration of power with the president means that AMLO makes most decisions in all areas, even those in which he is not competent. For example, the first Minister of Finance resigned when, as he explained, AMLO rejected the economic plan prepared by his office and wrote a new one himself, which he presented to Congress.

The management of the pandemic has been disastrous, with one of the highest excess death rates in the world. This is the result of decades of inadequate investment in the health system, but it is also due to the fact that the government dissolved the previous Seguro Popular health program two months before the pandemic in order to develop a new health program from scratch. The vaccination campaign is also very poor; not only are there not enough vaccines, but there does not appear to be a comprehensive plan. Vaccines are sent ad hoc to various regions.

As the fourth transformation sees itself as a re-founding of Mexico's institutional system, many programs and institutions are being dismantled and, in most cases, redeveloped from scratch. Most social programs considered neoliberal have been eliminated and replaced by others. Most notably, Progresa has been replaced by a series of direct scholarships for students at all levels, and the Seguro Popular has been replaced by a universal health care system (INSABI) that still lacks clear guidelines. Education reform was simply canceled. The Education Council, which evaluated the education system and acquired expertise regarding it, was also dissolved. Concerning the four major infrastructure projects, the government did not conduct comprehensive impact studies. Of the programs that were canceled, there was no evaluation of their performance or weaknesses.
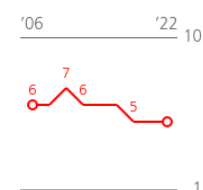
Implementation

5

'06 '22 10

1

Policy learning

5

'06 '22 10

1
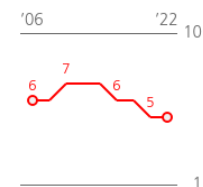
Facing the pandemic, the government has acted in the same way. Like many other countries, it initially conducted very little testing to detect COVID-19 infections and did not recommend the use of masks. While other countries responded decisively in the middle of 2020, the Mexican government still does very little testing and only half-heartedly recommends the use of masks (in fact, the president never wears one).

Finally, Mexico has always lacked a comprehensive, 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.
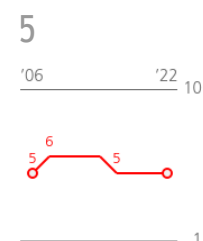
15 | Resource Efficiency

The government has considerable difficulties making efficient use of its resources. In the past, Mexico's administrative apparatus was on the path to modernizing, although it did not have an extensive, professional civil service and corruption was rampant. Appointments were still often politically motivated, putting people in posts for which they are not prepared. The democratization process begun in the 1980s imposed growing transparency requirements on the government, but the capacity (and will) of the government and judiciary to punish abuses has not considerably increased. Resources have been used ineffectively or because there has been blatant corruption. This has been especially evident in the case of most state governments.

Efficient use of assets

5

'06   '22 10

The present government is much less transparent than the previous ones. Although in previous administrations, the autonomous auditing institution (the general comptroller of the republic) that supervises fiscal spending found many deviations from the authorized budgets, there were no sanctions. Things do not seem to be better in the present administration. According to some civil society organizations, 80% of contracts have been allocated directly under this government, without an open contest. At the same time, AMLO has accused institutions that have (inefficiently and in a costly manner) guaranteed some degree of transparency of inefficiency and corruption, and promised to pass a law to eliminate them and transfer their functions to the government.

Concerning budget resources, at first glance the present government has been careful in managing the main macroeconomic variables such as fiscal balance and public debt (see Monetary and Fiscal Stability). However, concerning an efficient reaction to the pandemic, it has been too orthodox not to incur budget deficits and in not increasing state debt that had exploded over the last two administrations. The government has not performed a much-needed fiscal reform in order to have more resources, although it has succeeded in collecting due taxes from some of the largest enterprises, which under previous governments had large unjustified exemptions.

The serious problems of policy coordination both between and within the various ministries have continued more or less as before. In the case of the pandemic response, this problem has been exacerbated at the level of the relationship between the federal government and the states, partly for political reasons and partly because the federal government has recentralized resources and decision-making. In any case, given the pandemic, coordination between the various levels of government was very poor. There was virtually no coordination with respect to actions taken to combat the pandemic, such as the use of masks, confinement, etc. It is not certain at this time whether the vaccination campaign will be better coordinated. Ten states governed by the opposition are calling for a renegotiation of the federal pact.

Coordination among ministries has improved, 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. There is still no trust between the various police forces, as the municipal and state police have been infiltrated by the drug cartels and are therefore rarely informed of operations by the Guardia Nacional or the army. 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 inefficiency in implementation.

The fight against corruption is the government's main discursive theme and, in principle, one of its primary goals. However, because AMLO distrusts the former "old regime," his strategy is to make use of his personal anti-corruption skills. As a result, he does not rely on the established transparency institutions, but actually disregards them – as in other areas – and even undermines or dismantles them. According to the Capacity to Combat Corruption (CCC) Index, Mexico's evaluation worsened in the past two years, falling from 8th out of 15 Latin American countries in 2020 to 11th in 2021. This is mainly due to a significant decline in the legal capacity category, comprising, among others, the independence and efficiency of the anti-corruption agencies and the judiciary. With regard to the independence of the current National Prosecutor (Fiscal General de la República), the CCC ranks the country ahead of only Venezuela and Bolivia.

As the government considers itself free of corruption, AMLO relies on trusted ministers to award public contracts, bypassing established procedures and increasing discretionary spending. Though there is a public procurement system, the government does not use it. Of projects that the government has undertaken, 80% have been awarded directly, without public competition. The most recent report (for 2019) by the Superior Audit of the Federation (Auditoría Superior de la Federación, ASF) found numerous inconsistencies in the execution of the public budget, amounting to a sum equivalent to approximately $5 billion.

Formally, there is a wide range of integrity mechanisms, which are sometimes even praised. Since 2017, there has been the National Anti-Corruption System (SNA), which is considered a comprehensive approach to fighting corruption. The SNA not
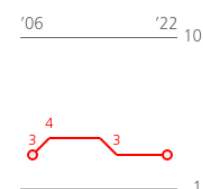
Policy
coordination
6
'06   '22 10

6 7 6

1
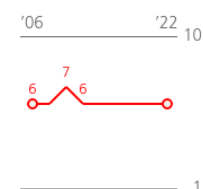
Anti-corruption
policy
3
'06   '22 10

3 4 3

1

only integrates various mechanisms at the federal level, but also seeks to include the state and municipal levels (96 entities in total) and, most importantly, representatives from civil society. However, AMLO does not refer to the SNA, but instead cut its budget as part of his austerity measures. The main anti-corruption agencies predate the current presidency. In addition to the ASF, there is the Secretaría de la Función Pública (SFP), the Unidad de Inteligencia Financiera (UIF) – both linked to the government – and an autonomous body, the National Institute for Transparency, Access to Information and Personal Data Protection (INAI). The INAI has succeeded in improving access to information and transparency. However, the government holds a sword of Damocles over the INAI, calling it too costly and "superfluous."

The wide gap between law and reality also affects party funding and the specific rules regarding the accountability of officeholders. While campaign finance is de jure strictly regulated – less so are rules on conflict of interest and asset disclosure – doubts remain as to whether this is really the case in an admittedly corrupt system. According to Luis Carlos Ugalde, ex-president of the electoral body (then IFE, now INE), there are three illegal mechanisms for financing electoral campaigns: diversion of public resources, illegal contributions from private individuals and financing from organized crime.

16 | Consensus-Building

The most important political and social actors consider democracy important in principle, and no relevant actor is fundamentally opposed to the democratic regime. However, growing dissent over the basic understanding of democracy is emerging, as evidenced by AMLO's direct appeal to "the people" with a clear interest in sidelining parties and parliament, as well as the judiciary. His phrase "Por encima de la ley, está el pueblo" ("Above the law, there is the people") and his appeals to the "wisdom of the people," connote a nonstandard understanding of the concept of democracy. The current government has a majority in Congress and therefore can (and has) pushed through all of its legislative proposals without much difficulty. AMLO also criticized and underfunded some existing autonomous institutions and recently threatened to abolish them and integrate their functions of transparency, monitoring human rights and competition into state institutions. Finally, the army, which thus far has not posed a threat to democracy, is expected to take on an increasing number of tasks previously in civilian hands and has gained real economic power by managing the new airport and the Maya train, may pose a threat to democracy in future.

There is a general consensus on the benefits of the market economy, which is, however, 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

Consensus on goals

7

'06   '22
9   10
  8
                       7

1
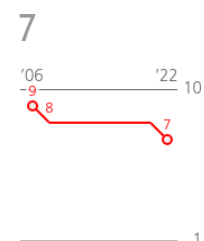
has increased. The election of López Obrador was also based on criticism of the current model, which has been unable to end poverty and significantly reduce inequality.

Nevertheless, the current government is not anti-market, although it favors an active role for the state in redistributing resources and improving the situation of the poorest Mexicans. The new president's position seems quite balanced and more similar to the governments of Uruguay (until 2020) or Costa Rica than to the more radical governments of the continent. Nevertheless, although the current government is not a threat to the market economy, it has reserved some sectors of the economy, such as energy, for the state and expressed criticism of business sector actions in the previous "neoliberal period," undermining the confidence in its success that this sector needs to invest. As a result, private investment was already very low in 2019. Since the pandemic, the situation has become more acute.

Although the government of AMLO has been accumulating power in the executive, the president has by no means questioned democracy as the "only game in town." Nevertheless, the fact that he has centralized power and that he will try to disband several autonomous institutions, signifies a weakening in democratic institutions. It is not clear at this moment how far the process will go, but it is still not comparable to what has happened in Turkey, Hungary, Poland or Brazil, to name a few other countries.

Nonetheless, the major non-democratic actors are the drug cartels and organized crime, though 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 in Mexico, killed candidates during the last election, and have either killed or enabled other actors to kill social leaders and journalists. In some cases, they impeded local elections. The army has increasingly been assigned policy and even civilian tasks, something that may be worrisome if AMLO fails in his presidency and Mexican society fragments further.

Although the level of political polarization induced by the president himself has increased, there have been no escalating moments of conflict – maybe in part due to demobilization during the pandemic.

Mexican society is strongly divided between those who consider themselves to have lost out to globalization and the neoliberal economic model and those who think they have won. The election of López Obrador represents a clear success for the poor. Although the rift exists, despite all the faults of the Mexican political system and MORENA's anti-system tendencies, the political system has succeeded in mitigating conflict between societal groups.

Although at the beginning of his administration AMLO was quite moderate, he has progressively based his discourse and his popularity on polarization between those who support him, whom he considers the people, the progressives and the honest, and those he calls the elite, conservative and corrupt. In a manner similar to other left
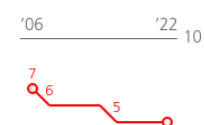
Anti-democratic actors

5

'06   '22
9   10
      7
         5
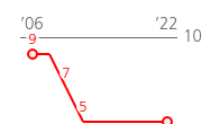
                    1

Cleavage / conflict management

5

'06   '22
                    10
7
  6   5

                    1

populist leaders, Evo Morales and Cristina Fernández de Kirchner, AMLO builds his power on polarization. Although for the time being the confrontation is mainly discursive, there is always a risk that it will escalate if the president and his sympathizers consider his transformative project endangered.

The government mostly ignores civil society actors and formulates its policy autonomously. What had formerly been achieved with regard to participation of civil society organizations in public policymaking has been reduced by the current government. Although much of their past participation may have been more symbolic than real, the doors are now more closed than open.

Since the corporatist political regime gave way to a more open political system, social organizations have effectively emerged, but they are still rather weak compared to other Latin American countries. First of all, the corporatist organizations that were at the center of power of the old PRI regime and still exist are now mostly "empty shells." Many independent organizations are patronage-based. However, there are many civil rights, environmental and transparency associations that are very active and have had a significant impact on promoting anti-corruption, transparency and environmental agendas.

Nonetheless, the current executive is suspicious of autonomous institutions and organizations, basically because he does not control them. He not only neglects civil society participation and formulates policy autonomously, but has cut all funding to civil society organizations and associations. For example, the administration did not consult any environmental organizations before launching the Maya Train. The government did not even consult most of the indigenous communities which it will affect.

The issue of reconciliation has not been addressed by the current government, as it has been beginning with the Calderón government, although one might have thought that a leftist government would raise the issue of the "dirty war" against the guerrillas in the 1960s and 1970s and the repression of students in 1968 and 1971.

Regarding the situation of the movement of victims of the "war on drugs," the current government has refused to meet with one of its main leaders, the poet Javier Sicilia of the Movement for Peace, Justice and Dignity (MPJD). The only case the current government has pursued is that of the disappearance of the students of Ayotzinapa. A new investigation has been launched to resolve the issue of reconciliation. Nevertheless, it has not yet reached any conclusion other than that the previous investigations were completely vitiated.

Since thousands of other cases of disappearances and murders have remained unsolved since the beginning of the current government and not been dealt with to the satisfaction of most victims' organizations, those organizations reject López Obrador's "forgiveness and forgetfulness" (Perdón y Olvido). Their protests have

Civil society
participation

4

'06 '22 10

6
5
4

1
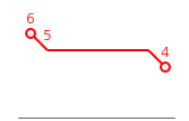
Reconciliation

5

'06 '22 10

7
6 6
5 5

1

succeeded in making this motto completely marginalized by the president himself. Nevertheless, the government has not done much to address the issue of reconciliation, although there has been a real effort to truly count the victims and find the bodies of the disappeared by searching for the illegal graves in which they are buried.

17 | International Cooperation

AMLO's presidency promised a radical change in Mexico's development model toward the so-called "fourth transformation" (see "Prioritization"). It rejects the previous neoliberal development strategy, which merely created the best conditions for foreign investment through low wages, low social security, low taxes and open borders for capital. The criticism of the current government, shared by most critical economists, is that the economic model based on an export platform has led to low growth and has not been able to significantly reduce poverty and inequality. Accordingly, the government has focused mainly on Mexico's domestic affairs and tended to regard international cooperation as unnecessary (and in some cases, such as external support for critical NGOs, it has been strictly rejected). Significant exceptions are relations with the United States and, in the case of the pandemic, vaccine policy.

In principle, López Obrador's government has adopted a sovereigntist posture with respect to international relations. It has rejected expressing a position regarding the situation in Venezuela. It did not congratulate Biden until the electoral college declared him president elect. It rejected the ousting of Evo Morales from the presidency of Bolivia and admitted him to Mexico. It has invited human rights organizations that were expelled from Mexico to help with the investigation of Ayotzinapa.

Although the government acted as the United States demanded it with regards to stopping migration at its southern border, more recently it passed a law that will complicate security cooperation with the United States as it has demanded that all foreign agents be officially registered. Regarding another issue, the government demanded that a high-ranking army officer, General Cienfuegos, who faced serious charges of engaging with drug cartels be returned to Mexico in order to be judged locally; but once he was in Mexico, all charges were dropped.

There is also 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 energy, Mexico also calls into question its 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.

Nonetheless, with the election to the Security Council of the UN for the period 2021 – 2022, the government has assumed a commitment to international responsibility that seems to run against its nationalistic position concerning international affairs.

Effective use of support

6

'06   '22   10

1

Credibility

6

'06   '22   10

1
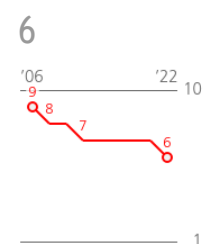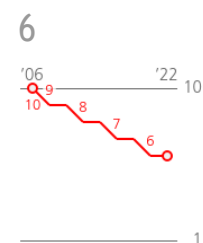
Against all odds, Mexico's first leftist government negotiated a free trade agreement with the United States and Canada in terms similar to NAFTA. Under at least the last three presidencies, there has been covert and overt cooperation between the United States and Mexico on the "war against drugs." Mexico received information from the United States and extradited drug leaders, something which the current administration seems to question. In the last two years, relations with the United States have been dominated by migration. Facing sanctions from the Trump administration, the Mexican government changed its previous policy of letting migrants pass through its territory to enter the United States, to closing the southern border using thousands of members of the Guardia Nacional and accepting migrants sent back to the country to wait for their cases to be examined before they receive refugee status.

Although the country has friendly relations with its Central American neighbors, no integration efforts have developed. Though Mexico declared that it would aid Central American countries in development as a compensatory measure to its unilateral migration policy toward their migrants, no concrete actions have occurred. Things may advance with Biden in office, whose administration agreed upon a plan to invest $4 billion in Central America to fight the structural causes of migration.

Mexico continues its role as Member of the Pacific Alliance (although without the president's participation in summits) and has tried to relaunch, by means of its pro-tempore presidency, the CELAC Dialog process with the European Union at the foreign ministers level. Worth mentioning is Mexico's ratification of the Escazú-Agreement for the implementation of regional standards for the protection of human rights and environmental activists, the second major country after Argentina to sign the agreement. In Latin America, Argentina has been the country most interested in launching a progressive alliance with Mexico. These initiatives have only partially found support from the president.

Regional
cooperation

7

'06   '22
10   10

1
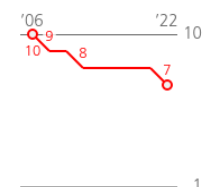
Strategic Outlook

AMLO's election raised high expectations among a large part of the Mexican population, especially the poorest. These expectations will be very difficult to fulfill, especially regarding the promised de-escalation of violence, ending endemic and general corruption, and reducing poverty and inequality. The government does not seem to have a short- or medium-term security program, which means that the disastrous situation in the country is unlikely to change soon. Discourse on ending corruption is prevalent, but after two years of the Sexenio, there are rather contradictory signals in this regard. As far as poverty reduction is concerned, the economic situation does not seem to promise great changes. Nevertheless, the government could succeed in reducing inequality by continuing to redistribute resources to the poorest and further raising the minimum wage.

It will be difficult to make the economy grow and develop so that informal workers find formal and better-paid work. This would require a strategic plan and cooperation with Mexican entrepreneurs. However, the government has polarized Mexican society, a situation that seems to alienate entrepreneurs. In addition, the government has stopped the construction of the new Mexico City airport and restricted private capital investment in the energy sector and in infrastructure projects built by the army. This could discourage private sector and foreign capital investment. Nevertheless, the export industry is likely to grow significantly as the United States begins to recover from the pandemic.

Concerning political transformation, Mexico is backsliding. AMLO has concentrated power heavily in the presidency, a situation similar to that at the height of the PRI regime. Moreover, he has dismantled or verbally attacked autonomous institutions and intermediary organizations. If this continues – and this seems the most likely outcome – it may lead to a dynamic toward further weakening the democracy that has been so difficult to build over the past 30 years. Moreover, the role of the army also raises concerns for the future. The army was already empowered by previous governments to fight the drug cartels; it was given substantial financial resources for this purpose. AMLO now empowers it economically as well. This could solidify it as a veto power and a source of competition with civilian forces.

On the international stage, Mexico has been elected to the United Nations Security Council, but the country is in danger of losing presence and relevance on the regional and international political stage because, in the president's words, "the best foreign policy is domestic policy." The government seems unable and unwilling to develop strategic lines of action, enter into international partnerships and make compromises that go beyond the immediate national interest. The country's most important foreign relationship will certainly continue to be with the United States. The two main issues in this relationship will continue to be migration and drug-trafficking. Mexico will certainly continue its efforts to stop migration from Central America in exchange for concessions from the U.S. government. With respect to drug-trafficking, there may be friction because of the government's lack of a clear security policy and issues such as the Mexican government's threat to end security cooperation with the United States.

Regarding the pandemic, the weak policy response by the federal government has continued, creating a mosaic of responses and actions that varies across states. The lack of centralized, evidence-based coordination and strategic leadership by the federal government has contributed to an overall difficult economic and social situation and will further delay the vaccination process, which has been slow in 2021 due to the federal government's lack of collaboration with state and local governments and a lack of coordination among health organizations. A new (third) wave of infections emerged in July/August 2021, with only 25% of the population fully vaccinated by the end of August. If both trends continue, the negative economic and social impacts – growing poverty and inequality, especially in education – will intensify and threaten to undermine the already weak progress made in this area.