

The ambiguous partner: Mexico and the European Green Deal

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KAS-MDPD, the German Development Institute (DIE) and the Finnish Institute of International Affairs have launched a new publication series on the external dimension of the EU's Green Deal, with inputs by experts from the biggest (re-)emerging powers.

How is the Green Deal perceived by (re-)emerging powers across the world? And what does the Green Deal mean for the EU's global power ambitions? The publication series involves perspectives from eight countries/regions: Brazil, China, the EU, India, Indonesia, Mexico, Russia and South Africa.

Introduction

Mexico is the second largest country in Latin America, a member of the G20 and an EU strategic partner with an Association Agreement. It is thus one of the world's principal players, one that the EU would need to take on board to make the European Green Deal work at the international level. What sort of partner could Mexico be in this endeavour?

This paper argues that Mexico is likely - at least rhetorically - to support the broad aims of the EU's green diplomacy, particularly in multilateral fora. Yet important challenges lie ahead. Factors that the paper identifies in favour of cooperation include broad societal support, as well as an existing institutional infrastructure (treaties, bureaucracies and civil society organisations). There is also the fact that most of the issues of the environmental agenda are currently present in Mexico in one way or another. However, there are a number of other factors that are already pushing towards divergence and are likely to get worse in the coming years. They include the low level of priority that environmental issues have in the current government's agenda, particularly in the energy sector; the weakening of the governmental and societal actors that act as the EU's counterparts; and implementation, which is always a problem in Mexico due to (diminishing) state capacity. Moreover, certain specific EU proposals, such as the carbon border adjustment (CBA) mechanism and the adoption of EU standards as a precondition of trade, are likely to be contentious.

1. Mexico's perspective on greening

1.1 Mexicans hold positive societal attitudes towards environmental issues and the EU

Current societal attitudes can play in favour of cooperation by legitimising joint actions, projects and even some international pressure. According to the latest CIDE poll, (1) among international phenomena that Mexicans consider themselves most affected by, natural disasters and climate change feature in third and fifth place respectively, and their importance is increasing. However, nationalism in the energy sector remains high, even though diminishing. Some 56% of Mexicans think foreign investment in the electricity sector should be allowed; this is particularly the case among the young (67% for those under 30 years). For the oil sector, however, support is only 41%. Attitudes towards free trade are positive and on the rise: 61% think it is good for the environment and for improving living conditions.

The EU, its Member States and their cooperation agencies provide most of the international funding for environmental issues and technical capacity. They are clearly viewed by Mexican officials and the public as standard setters and as a regional reference framework.

1.2. Current greening policies in Mexico

Most of the themes in the 'European Green Deal' agenda are already present in Mexico in one way or another. 'Sembrando Vida' is the current government's main greening policy underway and is aligned with the European Green Deal's objective of transforming agroecology and reforestation into a way for families to earn a sustainable living. It is based on direct payments to rural workers in exchange for environmental services. So far, however, the evaluation of the programme has indicated that its design and implementation have been problematic, with more than 19 recommendations in the first year. (2) The objective for 2019 was to plant 575 million trees, but only 80 million were planted, and of those, only 40 million have survived. 'Sembrando Vida' has been more successful as a social policy for transferring resources to poor rural populations than as a tool for mitigation. The government's emphasis on 'Sembrando Vida' has led to budget cuts for other entities, such as the National Forest Commission (CONAFOR) and the National Protected Areas Commission (CONANP), which were more efficient. (3) According to some experts, deforestation is continuing apace due to illegal logging (sometimes controlled by organised crime) and by the expansion of agricultural land frontiers.

With Natural Protected Areas, the objective is not to preserve them intact, but rather to promote sustainable approaches to allow people to make a living out of them. This includes the 'blue agenda' (the protection of water sources, coastlines and marine ecosystems), which is still under discussion. Where their protection has created an obstacle to the government's priority projects, the latter have prevailed. This was the case with the Dos Bocas refinery and the Mayan Train: The former is destroying a biodiverse mangrove area, (4) while the latter will cut through the Calakmul Biosphere Reserve. The environmental impact studies were released only after the project had already started, leading numerous CSOs, experts and academics to question their validity and legality. (5)

2. Key structural elements of the relationship between Mexico and the EU

Public perceptions of Europe among Mexicans are positive: Chancellor Angela Merkel is well rated, in fifth place out of 15 world leaders. Mexicans hold positive views of Germany, France and Britain, which are amongst the five best-rated countries; Spain is seventh. Compared to other regions, Europe is second only to North America. However, only 11% think Europe should be a priority region for Mexican foreign policy. (6) Bilaterally, the EU-Mexico Association Agreement (2000) and the Strategic Partnership (2007) have institutionalised regular dialogues on climate change and environmental policy. The recently updated (2020) Association Agreement (still awaiting ratification), includes reinforced environmental clauses that envisage mechanisms for information exchange, consultations and expert panels for the resolution of disputes. This will be the most effective instrument available to the EU for exerting pressure on the Mexican government to comply with multilateral environmental/climate agreements, which are explicitly mentioned in the treaty and are linked to trade. (7) The ratification process itself could provide a further mechanism to this end.

The EU and its Member States have established an ongoing dialogue and cooperation with certain governmental actors, such as the Foreign Ministry (SRE), the Environment Ministry (SEMARNAT), the Treasury (SHCP), the Economics Ministry (SE) - particularly the Undersecretariat for Trade, responsible for the negotiation and implementation of trade agreements - and the Instituto Nacional de Ecología y Cambio Climático (INECC). The latter is among the few state bodies with the technical capacity and a degree of independence and is a key interlocutor for Europe. The EU and the cooperation agencies of its Member States (GIZ, KfW, AFD, EU Delegation), including the UK, are present in Mexico; they are active and represent the largest proportion of international cooperation funding for environmental issues. They have begun work on some of the issues with the following government partners: green and inclusive finance (SHCP with IFC, WB, CAF, IDB); the circular economy (SE with AFD); biodiversity and agroecology, reforestation and national protected areas (SEMARNAT); residue management (INECC).

The EU and European governments should explore further cooperation with some state and municipal governments that are keen to attract investment and projects, and where capacity-building and implementation can have direct impact. For example, municipalities now have the authority to decide on waste/residue management issues.

CSOs are important allies in achieving the EU's environmental policy goals in Mexico. They are highly differentiated: the Mexican chapters of international CSOs, such as Greenpeace, the World Wide Fund (WWF) and The Nature Conservancy (TNC) are best equipped in terms of budgets, capable personnel and presence. A few national environmental CSOs (PRONATURA, CEMDA) are present in the territory and are leading a legal fight against violations of international and national environmental laws. Yet in general, civil society is weak and mistreated through attacks, assassinations and litigation. (8) The government views some of them as its enemies, because they have opposed its priority projects, particularly the Mayan Train and the changes in the electricity sector.

3. Potential joint interests and conflict points

3.1. Joint interests

At an international level, Mexico has a long and prestigious tradition of support for multilateralism and the rule of international law. As an open economy dependent on trade, Mexico has a clear interest in maintaining a global rules-based trading system. In this, it is aligned with one of the main interests of EU foreign policy. Foreign Secretary, Marcelo Ebrard, has reiterated Mexico's commitment in this area. (9)

Specifically on the environment, Mexico has been active in the past in international efforts to reach existing agreements and has displayed some degree of leadership. As a result of the success of the Cancun CoP16 in 2010, former Foreign Minister Patricia Espinosa was appointed Executive Secretary for the UN Convention on Climate Change. Mexico signed the Paris Agreement, and in 2015 adopted a national plan (NDC) that aimed for a 22% reduction of CO2 emissions. In his second annual report, President Andrés Manuel López Obrador (AMLO) stated that: "We have decided to protect the environment out of conviction". (10) So, on the rhetorical level at least, Mexico will continue to defend efforts to fight climate change in multilateral institutions.

3.2. Conflict points

Unfortunately, the environment is currently one of the main sources of conflict between Mexico and the EU, because it is not among the priorities for AMLO's government. There is no public discussion on climate change as such, and two of the government's 'priority' projects run contrary to environmental goals (the Dos Bocas refinery and the Mayan Train). The area of greatest conflict is energy policy, where the government has a discourse of nationalism and self-sufficiency, and its intention is to partially dismantle the reforms enacted by the previous administration. For historical reasons, PEMEX, the ailing state oil company and former monopoly, plays an important symbolic role in that discourse. Thus, the priority is to promote the extraction, processing, consumption and export of fossil fuels. To that end, the government has dedicated considerable resources to the construction of a new refinery in Dos Bocas, Tabasco, to reduce imports of gasoline and other refined petroleum products. The government also refused to limit production at the OPEC+ summit in April and July 2020. (11)

Another serious point of conflict has been the sudden change of rules for the electricity sector that took place in April 2020, as well as a reform enacted by the Mexican Congress in March 2021. The change of rules and the recent reform give priority grid access to electricity generated by the state company (CFE) whose plants are based on fuel oil, placing electricity production based on renewables at a disadvantage. This has adversely affected private Mexican and European investments. Litigation has ensued, led by Greenpeace and CEMDA, so far successfully. (12) After the April 2020 changes, the EU Delegation and Member States' ambassadors in Mexico wrote twice to the Energy Secretary to discuss these changes, but she has yet to answer. On March 10, 2021, EU representatives also met with members of the Mexican Senate to complain that the reform was passed without consulting the relevant stakeholders and that it will affect investments and environmental targets, warning that it is likely to lead to further litigation at the national and international levels. (13)

The transport sector, which is the main source of CO₂ emissions in Mexico, is also problematic. The introduction of less-polluting fuels is unlikely to proceed on a large scale, as PEMEX does not produce them. In June 2020, the National Commission for the Regulation of Energy recently changed the official norms with specifications for fuels that might increase pollution. The 22% CO₂ emissions reduction proposed in the 2015 NDC was based on energy sector reform, especially the introduction of renewables in the electricity sector and the introduction of cleaner fuels. Mexico has therefore not proposed a more ambitious 2020 NDC for review in Glasgow in 2021, as stipulated in the Paris Agreement. (14)

Another issue that is likely to hinder cooperation is the weakening of government interlocutors in the Mexican government. In the absence of a rise in revenue, priority projects have been funded, since November 2018, by means of deep cuts to the federal bureaucracy. The COVID-19 pandemic has created further austerity, undermining state capacity to monitor and implement existing legislation and international agreements. In October 2020, the Mexican Congress eliminated the trust fund for climate change set up in 2015 to finance concrete, multiannual projects, without providing alternative funds in the 2021 budget. In addition, more than 90 trust funds for science and technology were eliminated; these were the main source for research funding in many areas related to the EU Green Deal, from biodiversity to digitalisation and renewable energy. Given these changes in domestic priorities, Mexico's international position has shifted emphasis from mitigation to adaptation, thus coming closer to the views of the G77, particularly on the topic of differentiated responsibilities for developing countries (CBDR). As a result, Mexico's prestige and credibility in this area is likely to diminish in the years to come.

Moreover, the shift towards populism has been accompanied by a disdain for technical expertise. This has been drained from some Ministries, notably SENER and SEMARNAT, which would normally be key interlocutors for the EU's Green Deal. The political and budgetary relegation of SEMARNAT had started before the current administration, but the process has been accelerated since 2019. Its budget has been cut by 33% in the last two years and is back to 2006 levels in nominal terms. The first Minister appointed in December 2018 resigned after a few months in office, while the successor recently expressed the opinion that environmental issues are not a priority inside the cabinet and that "Mexico's policy is a contradiction". (15) He resigned on 1 September 2020.

Last, the proposals in the European Green Deal designed to prevent 'carbon leakage' to other regions are bound to become conflict points, as they will inevitably entail third countries adopting EU standards that will impinge on trade. The Border Adjustment Mechanism is likely to be seen through the lens of protectionism and resisted by other countries, including Mexico and the US. The same can be said for the 'Farm to Fork' strategy, which envisages that "imported food that does not comply with relevant EU environmental standards is not allowed on EU markets", (16) and other plans for product certification limiting entry to the EU market. For Mexico, as an open economy that depends on exports, adapting to EU legislation in order to

preserve its market access would be a challenge. Some certifications would entail the overhaul of entire production / export chains, while it is clear that the current government has neither the budgets nor the will to help cover the costs. Although these proposals are among the main instruments the EU has to promote change abroad, they could simply end up diverting Mexican trade to the US, which is already Mexico's main export market, absorbing more than 80% of Mexican exports while the EU represents only around 8%.

The EU's 2021-2027 Multiannual Financial Framework (MFF), agreed at the July 2020 European Council, reduces the financial resources available for cooperation with external partners like Mexico, especially in research and development cooperation. (17) Yet in Mexico, part of the reason why the EU is perceived as a leader in climate change is because it is a source of funding. The EU will have to team up with regional organisations like the Interamerican Development Bank (IDB) and the World Bank (WB) to ensure similar environmental conditions are attached to development resources in the future.

European investments from private firms, themselves subject to EU internal regulations, are likely to become important vehicles (if not public policy instruments) for the adoption of EU standards abroad. In the case of Mexico, this will be crucial perhaps even more than trade - because EU FDI has accounted in the last decade for nearly 40% of the total, in some years even surpassing the US.

4. Conclusion

This paper has set out those factors for and against effective Mexico-EU cooperation in climate and environmental affairs. Mexico is likely, at least rhetorically, to support the broad aims of the EU's 'green diplomacy', especially in multilateral fora. However, given the changes in domestic politics, it is unlikely to sign any new agreements nor is it going to increase its ambition for the next NDC. In fact, its positions are shifting towards those of the G77, which has been emphasising the climate change responsibility of industrialised countries.

Among the factors favouring cooperation, the paper has identified broad societal support, which can contribute to the fight against climate change in cooperation with Europe, which is perceived as a leader in this area. In addition, over the last two decades the EU-Mexico Association Agreement (recently updated and awaiting ratification) has established an institutional infrastructure of policy networks with state bureaucracies, development agencies and CSOs, working on environmental issues in Mexico in some manner. The environmental clauses of this revised agreement are perhaps the most powerful instrument the EU will have for exerting pressure on Mexico to comply with its standards and international treaties.

Among the factors potentially hindering cooperation that the paper has identified, pre-eminent is the low priority that environmental issues hold in the current government's agenda, particularly in the energy sector. When in conflict with the government's 'priority projects', environmental considerations lose out. Finally, the CBA mechanism and the adoption of EU standards as a precondition of trade are likely to be contentious and could lead to trade diversion. The reduction of EU research and development funding in the next MFF may undermine the EU's leadership position and its capacity to enact projects with some impact. For this, it will need to work closely with both other international donors and private investors alike.

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