

Three rule-of-law issues threaten Mexico's energy reform: experts

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Three major issues with Mexico's weak rule of law threaten to foil the successful implementation of the new reforms made possible when Mexico opened its energy sector to private and foreign investment in 2013, according to a new paper from the Mexico Center at Rice University's Baker Institute for Public Policy.

"Security, the Rule of Law and Energy Reform in Mexico" argues that the country must anticipate potential problems in three areas—violence and organized crime, corruption and social conflict—and resolve them before it can call energy reform a success and reap its benefits. The reforms were made after more than seven decades of a tightly controlled oil industry, but the problem areas could cut short the promise of development, the authors said.

The paper was co-authored by Tony Payan, the Francoise and Edward Djerejian Fellow for Mexico Studies at the Baker Institute and director of the institute's Mexico Center, and Guadalupe Correa-Cabrera, associate professor in the Department of Public Affairs and Security Studies at the University of Texas Rio Grande Valley.

"The 2013-2014 [energy sector](#) structural reforms in Mexico were greeted with great enthusiasm inside and outside the country," the authors wrote. "After the initial euphoria for this historic opening, however, a new set of more serious questions on the conditions and probability of success arose. Some of these questions were related to the shifting geopolitical conditions of oil and gas—the role of Iran in energy markets, Russia's weakened position in the gas sector, China's economic slowdown, the U.S.-Saudi Arabia oil price war, etc.

"Other questions had to do with the country's ability to successfully implement this historic change in the face of numerous domestic challenges," the authors wrote. They noted that chief among these concerns were issues related to the rule of law and cited "the capacity of the Mexican state to protect [energy projects](#) from the onslaught of organized crime; the capability to offer guarantees against the web of corruption that currently envelops the country; and the ability to prevent and deal with social conflicts related to natural-resource allocation, such as land and water."

The authors said Mexico has attempted to bring about the rule of law, but it has failed to do so. "Most of its security operations have, in fact, increased the level of violence, further exhibited the weakness of the state and angered civil society," they said. "A first effort must begin with fighting corruption. It costs the country billions of dollars a year, weakens its institutions, enables government officials to participate in criminal activities and sows despair in the Mexican public.

Unfortunately, there is no agreement among the political parties on what type of anti-corruption system must be put in place, but it is better to begin with a weak system than not have any at all.

"Second, all of the administration of justice institutions must be reformed well beyond the scope of the 2008 judicial reform, which as of yet has not been implemented. Mexico's justice system requires a major overhaul, especially one that guarantees its independence from an interfering executive power. Third, Congress should make a major effort to clarify Mexico's laws where they contradict with national priorities. Energy projects and water allocation, for example, cannot be both highest and equal in their priority. The laws are clearly contradictory and must be clarified."

The paper is part of a Mexico Center research project examining the rule of law in Mexico and the challenges it poses to implementing the country's energy reform. The project's findings are compiled in a Spanish-language book and will be posted on the Baker Institute's website in English.

More information: Paper: www.bakerinstitute.org/media/f...eofLaw_PC-120116.pdf.

Provided by Rice University

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