

# Initiation of dispute resolution panel process

## United States – Mexico relations

July 2022

### ¿What happened?

- The United States **announced the initiation of the process** to convene a dispute settlement panel against Mexico, for alleged violations of the United States – Mexico – Canada Agreement (USMCA)
  - It has been pointed out that the energy policies of President López Obrador that favor state companies (PEMEX and CFE) are **discriminatory against foreign companies**
  - The Biden administration **had already expressed its concern about Mexico's energy policy in multiple official visits** by the Secretary of Energy, Jennifer Granholm, and the Special Climate Envoy, John Kerry.

### ¿What are dispute resolution panels?

*It is a mechanism within USMCA that seeks to resolve disputes between the parties. This can be triggered when one of the parties considers that another member country has breached or violated the terms of the Treaty.*

### Positions on possible violations of USMCA

#### **Katherine Tai**

Trade Representative (USA)

*"We have repeatedly expressed serious concerns about a series of changes in Mexico's energy policies and their inconsistency with Mexico's commitments under the USMCA."*



20/07/22

#### **López Obrador**

President of Mexico

*"In the energy chapter of the USMCA, the absolute, sovereign right of Mexico was established to decide on its energy policy"*



04/04/22

### ¿What is the process?

1. A state party requests the start of the process
2. A consultation period (75 days) is requested to reach a mutual agreement
3. If no agreement is reached, the establishment of an arbitration panel may be requested to decide on the matter

### ⚠ Possible repercussions

#### Canada

After the announcement by the US, Canada also **declared that it would be implementing the same mechanism to consult non-compliance of the USMCA by Mexico.**

#### Europe

The current controversy in the energy sector **could impact the global modernization agreement between the EU and Mexico**, which has sustainable development as its end goal

#### Mexico-US relations

The lack of agreement on energy **could affect the relationship between Mexico and the United States**, causing a delay in progress on other issues, such as immigration reform.

#### Official statements

The events could **intensify the negative rhetoric of the Federal Government** towards foreign private entities in the energy sector in the coming days.