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SUPPLY CHAIN, SOURCING AND LABOR: **TOWARDS A GRAND STRATEGY**

UPDATES: *Mexican manufacturing today: key facts / Timely verification of operations: a new need for taxpayers / Strategic labor alliances: POA and PADF / Scenarios for the energy constitutional reform bill*

Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación
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SUPPLY CHAIN, SOURCING AND LABOR: **TOWARDS A GRAND STRATEGY**

The industry is going through periods of uncertainty and there are three causes: disruption in global supply chains, the slow development of providers of intermediate goods and a cumulus of new labor regulations. The answer lies in developing a grand strategy that, honed by active diplomacy, strengthens manufacturing relationships with key players.

INTERDISCIPLINARY PUBLIC RESEARCH TEAM [1]

Mexican manufacturing is undergoing major changes: its supply chain has been disrupted, the professionalization of its sources is advancing slowly, and new labor policies in Mexico have modified its operations. In a context where relevant actors aspire to leave behind the neoliberal economic model -the one that propitiated the exponential growth of the export industry-, manufacturing needs a grand strategy to maintain its competitive advantages. As difficult as it may be to distinguish, there is a common thread that intertwines all these events, and finding it is crucial to overcome today's challenges.

Uncertainty is not exclusive to our moment. It is, in fact, the note that allows us to distinguish historical opportunities. From where can we draw relevant lessons to take advantage of them? We propose to do so from the art of governing, a very ancient practice that should guide us in our relations with the government. Today's companies cannot conceive themselves as detached from economic and social dynamics; in fact, they are increasingly immersed in politics, which often throws them into dynamics other than those of the market. Using statecraft opens little-used windows for industry: posing stratagems, exercising diplomacy and "proceeding through core concepts ... such as national identity, the diversity of forms of social organization, the nature of war and its impact[2]." It sounds far-fetched, but it is appropriate for a key sector of the Mexican economy to act with this breadth of vision.

In this paper we offer approaches to blur these scenarios. If the prevailing discourse advocates changing the economic model and establishing a new paradigm in government-business relations, it is time to navigate these channels, recognize them and take advantage of them. Not to do so, to opt for partial solutions and fragmented dialogues, is to postpone the heart of the matter and risk the performance of the industry. Let's create a *grand strategy* together.

1 Meet its members on the ***last page.***

2 Hill, Charles, Grand Strategies: Literature, Statecraft and World Order, Yale University Press, New Haven, 2010, p. 4.

THE ESSENCE OF THE ISSUE

Let's start with a statement: "Diplomacy and power are indispensable and must be used, to be most effective, in tandem"[3]. Emphasize the word indispensable; only the natural is. Consequently, diplomacy and power are inherent to the human condition and therefore we must learn to use them. We all negotiate, exercise control, and give signals to get what we want without being confrontational about it. Perhaps this is the cornerstone of the rest of the industry's political work: a well-articulated diplomacy that generates trusting relationships with the government and produces a favorable regulatory framework. But it is rarely understood in this way.

Diplomacy implies having representatives with agency capacity. Skilled emissaries who protect the industry's interests and foster friendly relations with other players, just as diplomats do with other states. Only with a corps of representatives can you execute a great strategy. What characteristics should they have? They should speak the truth, convey it properly and avoid double standards -saying one thing but doing another- because they are always counterproductive, even if they promise quick victories. They should be able to accept conciliation when conflicts arise if this achieves a higher goal. That they are aware of the procedures, forms, and courtesies in every encounter with the counterpart. And that they take advantage of their relationships, national and international, to expedite the processes in dispute. All these behaviors are described in detail in classic works such as the Orestiad (Aeschylus), the Aeneid (Virgil), the Iliad (Homer) and many others, more contemporary, such as Don Quixote (Cervantes), War and Peace (Tolstoy) and The Castle (Kafka). Literature expands the world, shades complex scenarios, and empowers the exercise of our powers: just the tools we require in uncertainty. Although the industry already has worthy representatives, there is a long road ahead to configure a great strategy that includes the detailed weighing of this knowledge and its effective exercise. Power, however limited it may be, must be used with the depth it demands if its use is to yield favorable results.

In this sense, grand strategy must be understood as the highest form of statecraft. It sets out how "states or other political units prioritize and mobilize their military, diplomatic, political and economic resources to obtain what they recognize as their interest"[4]. Contrary to what its name might suggest, it does not necessarily consist of setting great objectives, but of coordinating all available resources to obtain what has been proposed. Fragmentation and isolation are contrary to grand strategy, a difficult task for the Mexican manufacturing industry, with its energetic but incipient coordination. Only with the consistency emanating from the strategic order will it be able to leverage the characteristics that make it exceptional: its leadership in exports, the employment it provides to millions of people, its resilience to contemporary crises, its constant growth for thirty years... Few industrial sectors can boast of having traveled the same path. Therefore, like the major governments, it is time to consider a major strategy that will keep it competitive for the next fifty years.

What elements should we consider developing such a strategy? First, geopolitical circumstances. Let us remember the historic opportunity to attract more and better U.S. investment while the

3 Hill, op. cit., p. 10

4 Van Hooft, Paul, Grand Strategy, Oxford Bibliographies, 2019. ***Available here.***

trade conflict with China lasts. Implementing strategies such as ***ally-shoring*** [5] numbs the paradigm of a manufacturing industry shaken by the ups and downs of global powers and awakens it to the great opportunities of the present. Opportunities that will vanish if they age longer than necessary.

Manufacturing must also take advantage of national circumstances. Internally, Mexico is undergoing an important symbolic change. If the agent to be defeated is neoliberalism, let us not be afraid to use government jargon truthfully, with our own criteria. If a fruitful dialogue is to be built between our sector and the government, it will have to be on the terms of the greatest of political players. What does it mean? Explicitly sharing regrets about what has been labeled as unfair - inequalities and working conditions, for example - but with data that broaden the picture and with testimonies of so many good experiences. In this sense, the new subcontracting law taught us that frontal opposition, without more, does not give results. Finding a common language for cooperation does. We must help to implement changes and improvements, without folding our hands. Collaborate to move forward: "concede, without giving in, in the spirit of recovery"[6], i.e., negotiate with convictions. in other words, negotiate with firm convictions. And continuing with specific issues, it is critical to make a thorough analysis of Mexico's port capacity, the development of industry suppliers and the professionalization of manufacturing collaborators, three links that must be presented along with the changes proposed by the federal public administration.

To negotiate, we must be clear about what we have and what we are looking for. None of the elements described here should be removed from the grand strategy required by our manufacturing industry, but a collective dialogue will bring more and better proposals. Each one will be useful at the various negotiating tables, if it is based on the right foundation: professional diplomacy in the industry, guided by the great works of literature (that living source of the art of governing), to politically broaden the horizons of our business and give it breath for many years to come.

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5 *U.S. Mexico Foundation, 2021.*

6 *De Fuenmayor Champín, Amadeo, Gómez-Iglesias, Valentín e Illanes Maestre, José Luis, El Itinerario jurídico del Opus Dei: historia y defensa de su carisma, Ediciones Universidad de Navarra, Pamplona, 1989.*

TRENDS

We have highlighted three elements that will shape manufacturing in the coming decades: sourcing, supply chain and labor changes. This triad is not exhaustive. There are other changes occurring simultaneously that could have even more weight, such as the 4.0 technological revolution and fiscal changes. That said, the following should be kept in mind:

- **Supply chain.** Global value chains "divide production processes into different stages distributed around the planet"[7]. Almost nothing is made in a single country anymore. While this has visible advantages, it also carries risks for certain sectors, especially if they depend on a few countries for critical components, as in the case of semiconductors. This explains the U.S. president's emphasis at the most recent G-20 meeting: "We have to take steps now, together with our partners in the private sector, to reduce the delays we face. And then, we have to prevent this from happening again in the future" [8]. Supply chain congestion is an opportunity for Mexico to invest in intermediate goods industries.

- **Sourcing.** High technology, specialized personnel, robust processes, and political influence are concentrated in large Mexican and transnational companies. However, the good performance of these companies depends heavily on their suppliers, often smaller companies with ample opportunities for professionalization. This can only be achieved through a joint effort between the government and the private sector, since their development requires education, fiscal incentives, contract enforcement and the guarantee of property rights. Supply must be understood systematically.

- **Labor.** Let's start with the facts: 75% of collective bargaining agreements in Mexico are "simulated", labor lawsuits take more than three years on average and 40% of workers lose money after suing the employer. Dark figures, but from them derive the labor reforms of 2017 and 2019, which establish three major changes: union representativeness and transparency, transfer of labor justice to courts of the Judiciary and the creation of autonomous conciliation centers[9]. The recommendation is for the industry to assume these changes as soon as possible and establish protocols to address a different labor scenario.

A quick reading of the above might suggest that conditions are brewing that will affect manufacturing performance. We do not believe this to be the

7 *Congressional Research Service, Global Value Chains: Overview and Issues for Congress, USA, 2020.*

8 *El Economista, Biden convoca a México y otros líderes mundiales a fortalecer las cadenas de suministro, 31 de octubre del 2021.* ***Available here.***

9 *Sadka, Joyce, La reforma laboral y el comercio internacional: un ejemplo de presiones externas positivas, Conexión ExITAM, 2021.* ***Available here.***

case. The geopolitical opportunity is greater than the potential impact of domestic reforms that, viewed in the medium term, may also prove positive. Companies that take up the challenge assertively will be the first to position themselves in the new scenario and with it will come growth and new markets. Thus, the grand strategy should focus on professionalizing the supply chain with the help of government institutions empowered to influence the education of personnel and through private training. It must recognize that supply chain disruption represents a historic opportunity to finance new port capacity and attract investment. And it must recognize that the new labor framework will give a new role to unions, with whom it must sit down to negotiate and create frameworks for action. It should not be ruled out that they can be allies in the face of other actors if these relations remain friendly. In the industry, everything is yet to be written.

IMMEX as a Success Story in Cooperation and North American Competitiveness

By Denisse Martínez, Director of Marketing & Community Outreach at Co-Production International

Manufacturers and the global supply chain have been a proverbial punching bag for the last few years. From the U.S. tariffs on Chinese imports leading to a trade war, followed by the COVID-19 pandemic bringing the supply chain to a halt with the shipping industry now only slowly coming back online with the astronomical cost increases of a system broken by unpredictability.

What hasn't changed in all this unpredictability is Mexico as a strategic manufacturing location, the IMMEX program, and its ability to set manufacturers up for success, cost savings, and supply chain resilience regardless of geopolitical factors.

IMMEX HAS REMAINED A STEADFAST DRIVER FOR THE MANUFACTURING INDUSTRIES IN MEXICO ALLOWING MANUFACTURERS TO ACCESS A MORE RESILIENT AND COST-EFFECTIVE BUSINESS MODEL.

Manufacturers in Mexico operating with an IMMEX permit can temporarily import raw materials and equipment for industrial processes into Mexico, and in the case of raw materials, transform them and export them again as finished goods, without incurring VAT or import duties.

"The cost savings benefits of this alone can not be overstated, however even beyond this incredible benefit exists something even deeper – the cooperation, support, and attractiveness of manufacturing in Mexico where the United States and Canada are our economic partners. Our economies and our work together are complementary and collaborative, and no amount of global unpredictability could ever sever this bond – we are neighbors, and our success will always be mutual," says Roman Caso, CEO of CPI and President of CANIETI.

Using A Shelter Company to Get Started With IMMEX

To obtain it (and maintain it) a series of very specific requirements and guidelines must be met, which require experience and a deep knowledge of the legalities and reporting, with an anticipated wait time of at least a year when a company applies for it on their own. In addition to obtaining the IMMEX permit, a manufacturer must also apply for VAT and IEPS certification. Enter a Shelter Services Provider like Co-Production International (CPI).

CPI, with headquarters in Tijuana, Baja California and San Diego, California, has partnered with over 230 companies in the last forty years. New manufacturing partners under CPI's Shelter Program can get up and running under IMMEX almost immediately and with minimal legal and fiscal risk. CPI has worked with major electronics, medical device, aerospace, and automotive manufacturers. Their boutique shelter model means every client is their most important client and not just another number on a balance sheet. CPI's personal service and dedicated teams is like having your very own in-house experts backing up your endeavors up every step of the way.

"You focus on manufacturing; we'll handle the rest. We are with you as long as you need us and can also help you transition into your own independent corporation with your own IMMEX permit when you are ready," says Enrique Esparza Jr., Chairman of the Board

The Future of IMMEX and Manufacturing in Mexico

With the reactivation of business in Mexico and manufacturers seeking solutions to build a more resilient, cost-effective, and successful supply chain, Mexico's IMMEX will continue to draw companies to the region. Proximity to major North American markets, labor cost savings, access to the advantageous IMMEX and USMCA, along with companies like CPI to help new arrivals to Mexico navigate these proven strategies, the future is bright, and your success is in motion.

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UPDATE

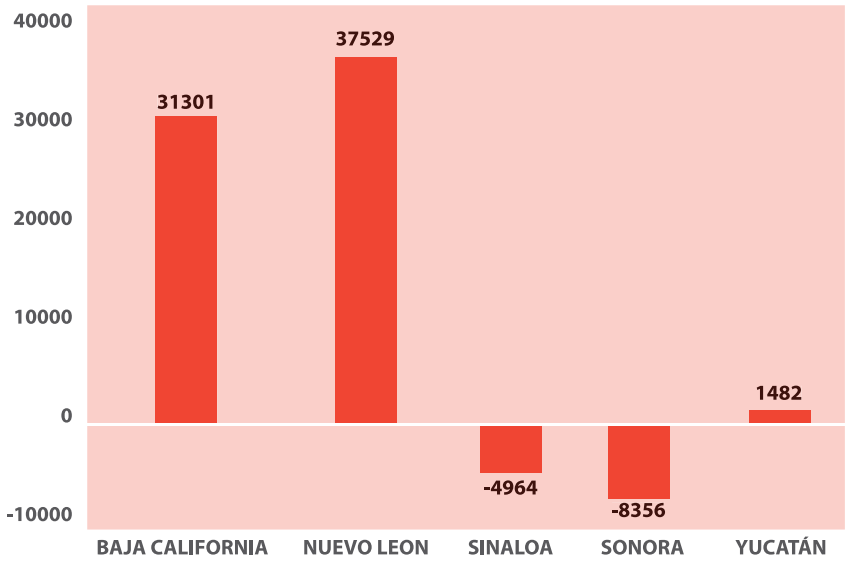
MEXICAN MANUFACTURING TODAY: KEY DATA

By Carlos E. Palencia Escalante, partner of CEO Consultoría Estratégica & Outsourcing

In July, 3,121,552 people were employed, which indicates that the drop recorded in the months of May (3,115,131) and June (3,105,336) was surpassed. However, it is slightly below that reported in April (3,125,762).

- This year, considering the months of July, Nuevo Leon and Baja California lead the recovery of employment in the sector.
- Even though in July 2020 the reactivation of activities began, Sinaloa and Sonora still show decreases in employment compared to July of this year.
- In Yucatan, which had been hit hard, 1,482 jobs were created year-on-year.

Figure 1. IMMEX, employment in selected entities: net change from July 2020 to July 2021.

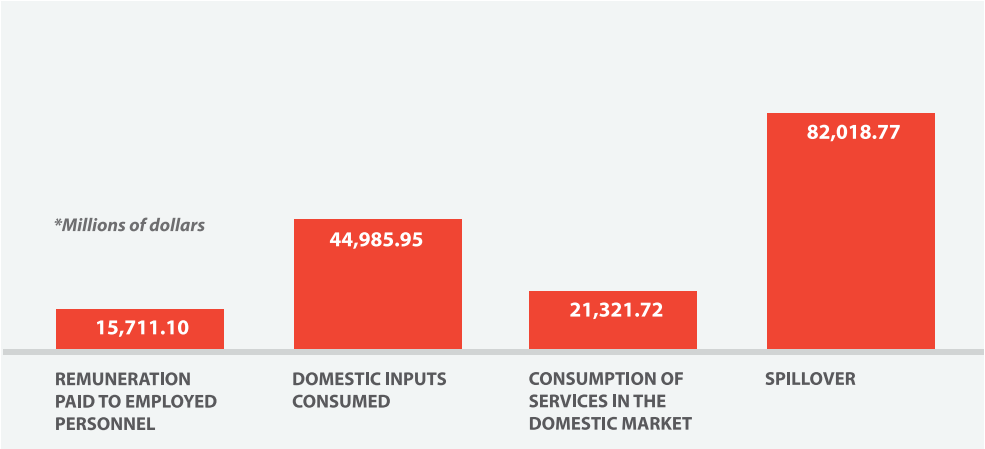


Nationally, between July 2020 and July 2021, 188,678 new jobs were added. The behavior has been different per entity. The graph shows outstanding cases.

For remunerations, US$15,711.10 million have been paid in the first 7 months of the year. That is, US$74.11 million per day (in 212 days), of which[10]:

- 11,510.68 are for wages and salaries, or $54.3 million dollars per day
- 2,330.41 are for employer's social security contributions, i.e., $35.65 million dollars per day and,
- 1,870.02 million are for social benefits, or $18.65 million dollars per day.

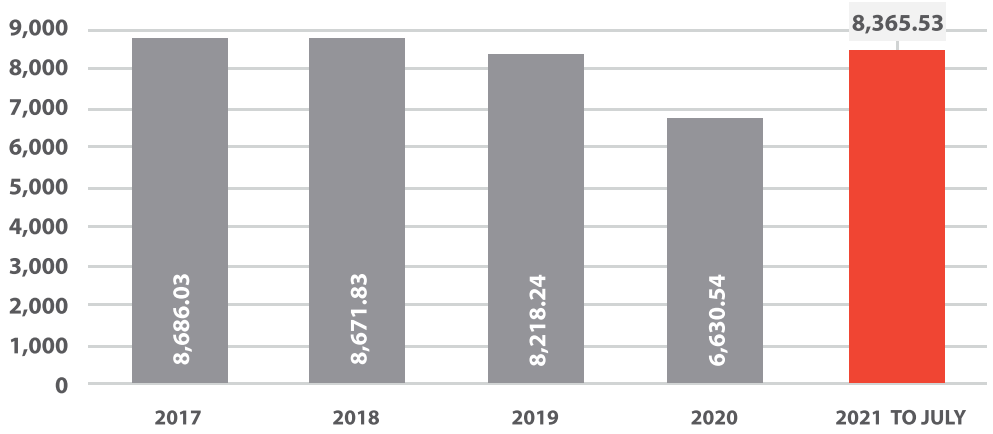
Figure 2. Domestic spillover of the IMMEX sector: January-July 2021



Sector revenue to Mexico, by item, in U.S. dollars.

The acquisition of fixed assets is already more than double than the same period in 2020, which demonstrates the dynamism of IMMEX and its support to the recovery of the national economy. It is estimated that by the end of 2021, the import of fixed assets will reach 10.6 billion dollars.

Figure 3. Fixed assets imported by IMMEX companies: 2017-2021



Fixed asset imports this year are expected to be higher than in 2017.

From these data we can reasonably conclude that recovery in the sector is underway.

10 Calculations at 19.956 pesos per dollar.

TIMELY VERIFICATION OF TRANSACTIONS: A NEW NEED FOR TAXPAYERS

By C.C.P. Gonzalo Gómez Topete, partner in charge of tax and legal services, Cluster BC-Sonora.

As of fiscal year 2020, the Federal Tax Code (CFF) establishes a series of legal assumptions for the tax authority to invalidate taxpayers' digital seal certificates (CSD). By doing so, it prevents them from invoicing and carrying out their operations, even when the authority has not verified that any of the assumptions are effectively met.

This power to cancel the CSD is because the SAT detected many companies that invoice non-existent transactions through the issuance and sale of tax receipts that comply with all the requirements established by the CFF and with verifiable cash flows. These companies issue invoices even when the concepts or operations reflected in them do not materialize, i.e., the goods are not sold, the services are not rendered, or the operations do not correspond to the amounts reported.

In this order of ideas, article 69-B of the CFF establishes several important considerations. They stand out:

- That when the authority detects that a taxpayer has been issuing receipts "without having the assets, personnel, infrastructure or material capacity, directly or indirectly, to provide the services or produce, market or deliver the goods covered by such receipts, or that such taxpayers are not located", it will be presumed that the transactions covered by such receipts are non-existent.

- That the authority will publish quarterly in the Official Gazette of the Federation and in the SAT's web page a list of those taxpayers that have not been able to disprove the simulation of transactions.

- That the persons that have given any fiscal effect to the tax receipts issued by a taxpayer included in the list referred to in the fourth paragraph of the article, will have thirty days following the publication to prove that they effectively acquired the goods or received the services covered by the tax receipts. Alternatively, they will have to correct their tax situation by means of the corresponding complementary tax returns under the terms of the CFF.

It is important to highlight those transactions covered by tax receipts that fall under the assumptions will be considered as simulated acts or contracts for purposes of the offenses set forth in the CFF. The CFF states that a penalty of two to nine years of imprisonment will be imposed on anyone who "by himself or through an intermediary, issues, sells, purchases or acquires tax receipts that cover non-existent or false transactions or simulated legal acts". Unfortunately, the legal assumption established by the legislator in the CFF does not distinguish between compliant taxpayers and non-compliant taxpayers. Instead, it starts from the general principle that all taxpayers are tax evaders and imposes on them the obligation to "prove the materialization or existence of the service re-

ceived or the good acquired". The consequence of an omission or failure to verify is the cancellation of the CSD to issue invoices (CFDI´s).

Thus, Article 17-H Bis of the CFF was modified as of 2020. Then it was stated that, in the case of CSD for issuing digital tax receipts through the Internet, prior to the termination of the referred certificates, the tax authority may temporarily restrict their use when it detects that taxpayers have given tax effect to the CFDI´s and have not accredited the effective acquisition of the goods or receipt of the services, nor corrected their tax situation once the foreseen term of thirty days has elapsed.

Those who have been temporarily restricted the use of the CSD may file a request for clarification to correct the irregularities detected, or to disprove the causes that motivated the application of such measure. In doing so, they may provide the evidence they deem appropriate, so that the day after the request is made, the use of such certificate is reestablished. The tax authority must issue the resolution on such procedure within a maximum term of ten days and if it is favorable to the taxpayer, it will allow the use of the digital seal certificate for the issuance of digital tax receipts through the Internet. On the other hand, if the tax authority determines that the taxpayer did not remedy the irregularities detected or did not disprove the causes that motivated the provisional restriction of the digital seal certificate, it will issue a resolution to cancel the digital seal certificate within ten days.
Given the relevance of this tax provision for the operation of companies, we consider it important that they activate a protocol of attention in case any of their suppliers is included in the list of taxpayers referred to in Article 69-B, commonly known as "SAT's blacklist". This tax provision forces us to rethink the way in which companies document their operations. It is advisable that from the origin of each transaction made by the companies, they integrate a "defense file" that includes a copy of contracts or purchase orders, reception and log of the goods and services acquired and a copy of the supplier's access log list to the company. In extreme cases, photos of the goods purchased, or services received may be included.

Additional Restrictions on Digital Stamp Certificates (DSC)

In the tax reform initiative presented to Congress on September 8, 2021, which, if approved, would enter into force on January 1, 2022, the following additional clarifications are included:

- Once the procedures for clarification of the use of the CSD have been exhausted, without the taxpayer having been able to duly correct and/or clarify, the authority will only notify the resolution regarding the cancellation of the CSD within the indicated term.

- When the tax authority has issued a resolution resolving the merits of the matter, taxpayers may only carry out the procedure to obtain a new certificate, if they previously correct their tax situation.

- The use of the CSD may be restricted when taxpayers, in a repeated manner, do not cooperate during the development of the exercise of the verification powers and have been fined for such reluctance.

- The use of the CSD may be restricted when the taxpayer does not appear before the tax authority to prove that he/she entered the transactions with those who are under the assumption of article 69-B, first paragraph of the CFF, both in the normal term and extension.

- The authority may consider the inconsistencies detected with respect to the value of the taxable acts or activities declared in the provisional or definitive payment declarations of the fiscal year, or the informative declarations, against the information in the SAT database. Until 2021, it only refers to income declared, and taxes withheld against CFDI´s.

- That has a partner or shareholder who has effective control of the legal entity whose CSD

has been rendered ineffective, or that such partner or shareholder has effective control of another legal entity, and the latter has not corrected its tax situation.

For this reason, we recommend seeking advice from tax and tax litigation controversy experts, so that the companies create a "defense file" and a litigation structure before the authority in case it is required.

STRATEGIC LABOR ALLIANCES: POA AND PADF

By Michael Midling, POA Project Manager and **Fernando Toriz,** PADF Project Manager

As of May 1, 2019, and because of the Reform to the Federal Labor Law and the signing of the Mexico-United States-Canada Treaty (T-MEC), Mexico is in the process of establishing a new labor model. It seeks to strengthen the enforcement of labor laws and recognizes the key role of employers in the protection of internationally recognized labor rights. Mexico agreed with its U.S. counterparts to cooperate in achieving the objectives in this area, so different non-profit organizations have started working to implement projects with the different business associations and assist the employers' sector in the task of changing the country's labor.

Within this framework, the Pan American Development Foundation (PADF) and Partners of the Americas (POA) have signed a collaboration agreement with Index to create a strategic alliance and promote better working conditions in Mexico. Inspired by President Kennedy and founded in 1964 under the Alliance for Progress, POA is a non-profit, non-partisan organization with international offices in Washington D.C. We bring different parties to the table: volunteers, professionals, governments, businesses, and academic institutions to combine resources, knowledge, and passion with the needs of the moment. With 18 years of experience implementing projects funded by the U.S. Department of Labor (USDOL) in Latin America, we create projects that promote better working conditions through technical assistance.

Thus, following the signing of the T-MEC, we obtained USDOL funding to implement the Labor Reform Awareness Project in Mexico. Our project aims to promote greater understanding of the labor justice reform among workers, employers, and unions. We will also work with the Ministry of Labor and Social Welfare, the Federal Center for Labor Conciliation and Regis-

tration, as well as state ministries, labor courts and local centers to strengthen their capacities and to disseminate the reform and the implementation process. In this way, we will work with the private sector, the public sector and civil society in 28 states and in priority sectors such as the automotive and auto parts, electronics, mining, aluminum, and steel industries to bring the labor reform to a successful conclusion.

The Pan American Development Foundation (PADF) was established by the Organization of American States (OAS) in 1962 to promote the creation of a hemisphere of opportunity for all people. We work throughout Latin America and the Caribbean to make our region stronger: healthy, peaceful, just, inclusive, resilient, and sustainable for current and future generations. For nearly 60 years, it has supported the most vulnerable communities by investing resources throughout the hemisphere. PADF has partnered with civil society, governments, and the private sector for the good of the region.

Since the signing of the T-MEC, USDOL funding was obtained to implement the Automotive Industry Accompaniment Project for Labor Reform. We will work mainly in Guanajuato, San Luis Potosí and the State of Mexico to achieve a series of objectives: carry out a diagnosis to understand the situation of the automotive industry with respect to the implementation of the labor reform and Chapter 23 of the T-MEC; improve the knowledge and capacities of employers for the implementation of the labor reform and the T-MEC; accompany employers in the sector in the process of strengthening social dialogue and promoting productive industrial relations; offer advice for the implementation of the new administrative procedures and prevention of violations of the labor reform and the T-MEC; and, finally, facilitate the implementation of measures for gender inclusion and the prevention of discrimination in the workplace.

We are aware that the challenge is enormous. However, we are convinced that with close and ongoing collaboration between the private sector and technical assistance projects such as PADF and POA we can ensure compliance with employers' labor obligations and guarantee the benefits of the T-MEC. In this way, we will work together with the employer sector to change the world of work and boost the country's productive sector. From PADF and POA, you have our full support in this great challenge.

SCENARIOS FOR THE ENERGY CONSTITUTIONAL REFORM BILL

Information provided by **Grupo Estrategia Política**

In mid-October, the Federal Executive presented the initiative with draft decree reforming Articles 25, 27 and 28 of the Political Constitution of the United Mexican States in energy matters before the Chamber of Deputies. As announced by the President in his 2018 presidential campaign, the initiative seeks to eliminate the modifications promoted by the past administration in energy matters, such as the opening of the hydrocarbons and electricity market to private industry, as well as the creation of regulatory bodies, such as the Energy Regulatory Commission and the National Hydrocarbons Commission. The presidential initiative is not only intended to regulate issues related to electricity, the legal nature of state-owned parastatal companies and the elimination of regulatory bodies, but also to modify several provisions regarding mining and the value chain of the energy transition.

Since it is a constitutional reform, it requires 2/3 of the total number of legislators in the Chamber of Deputies to be approved, that is, 334 legislators, a majority that the President's party does not have. Currently, the MORENA parliamentary group has 209 votes. Its allies, the Ecologist Party of Mexico (PVEM) and the Labor Party (PT) have 43 and 33 votes respectively, totaling 285 of the 334 needed to reach the majority. This means that Morena must obtain the vote of 48 opposition legislators in order to approve the energy reform. It also requires the approval of 17 local congresses, of which MORENA has a majority in 19. It is also important to note that, although constitutional reforms require 2/3 of those present at the session, to meet the quorum necessary to open the session, the presence of only 251 legislators is needed. This means that, with 251 legislators present, Morena could reach the constitutional majority necessary to approve the reform.

The parliamentary groups of the National Action Party (PAN), Citizen Movement (MC) and Party of the Democratic Revolution (PRD) have already expressed their opposition. In the Institutional Revolution Party (PRI) only some legislators from the north of the country have done so, which opens the possibility for the other legislators of this parliamentary group to give the votes to MORENA for approval.

This is the first challenge for the opposition legislative alliance "Va X México" formed by the PAN, PRI and PRD, as it is the first initiative where there may be a disparity of votes to endorse an ideological project of the federal executive. The PRI's position regarding the reform will set an important precedent, since if it endorses the President's initiative, it will jeopardize the continuity of the "Va X México" alliance. This would annul an electoral alliance for the 2022, 2023 and 2024 commissions. On the other hand, if the PRI endorses the presidential reform, it will set a precedent for the next years of the legislature and the president will have a qualified majority in the Chamber of Deputies, even though Morena and its electoral allies do not. Let us summarize the viable scenarios:

Scenario 1: The energy reform is approved with modifications previously negotiated with the PRI parliamentary group and this party votes in favor.

Scenario 2: The energy reform is approved due to the absence of some deputies of the opposition block, which allows the Morena parliamentary group and its allies (PVEM and PT) to reach 2/3 of those present in the Chamber of Deputies.

Scenario 3: The energy reform is rejected due to the refusal of the "Va X México" alliance.

OUR **TEAM**

This publication is produced by a committed, multidisciplinary team. Our goal is to take the economic, political, and social knowledge of the manufacturing industry to the next level[11]. By disseminating our findings, we seek to raise the level of public debate. Share and comment freely, let's start the dialogue.

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