

## **Mexico's Mining Transformation and Diplomatic Friction with Canada**

In 2023, the Mexican government passed [measures](#) reforming the mining sector in the country. These reforms included reducing the length of concessions from 50 to 30 years, enforcing stricter regulations on water permits, allowing authorities to cancel concessions if sites are not operational within two years and mandating a minimum of 5% of profit allocation to communities impacted by mining projects.

The nature of the reforms is in keeping with Mexican President Andrés Manuel López Obrador's prior criticisms of both neoliberalism in general and the mining sector in particular. López Obrador's Morena administration has not granted any new mining concessions since winning the election in 2018 (while honouring those granted by his predecessor) and has described previous votes by opposition parties against nationalisation plans as "[treason](#)". In February 2024, López Obrador proposed a [ban](#) on open-pit mines.

Mexico remains the world's largest producer of silver and exported approximately [US \\$3 billion](#) worth in 2022. Gold, copper and zinc are other crucial mineral exports. Lithium has also in recent years become a key mineral for mining interests in the country. In 2022, extensive lithium deposits were found in the state of Sonora, [estimated](#) at the time to be worth up to US \$602 billion. Further deposits were found in 2023 in the neighbouring state of [Chihuahua](#). Both silver and lithium are crucial metals used in the technologies of Industry 4.0 such as solar panels, electric vehicles and 5G telecommunications infrastructure.

López Obrador has since prioritised public-private partnership for lithium exploration and signed a [decree](#) passing responsibility for the reserves to the Mexican energy ministry and the creation of a new state-owned enterprise (SOE) named LitoMx. This action has already been denounced by the [US Trade Representative](#) under the terms of the United States-Mexico-Canada Agreement (USMCA) for failing to abide by Most Favored Nation (MFN) rates, under which companies from the United States and Canada should have equal access to Mexican extractive industries.

Canadian interests represent the majority of mining concessions in Mexico. Prior to the passage of the North American Free Trade Agreement (NAFTA), there had been little Canadian trade with Mexico. Since NAFTA, trade between the two nations has increased dramatically. Canadian Foreign Direct Investment (FDI) in Mexico totalled [US \\$43 billion](#) in the last two decades, flowing into diverse sectors such as auto parts, energy and banking. Overall, mining represents the largest sector for Canadian FDI to Mexico; while there were no Canadian mines in Mexico prior to NAFTA, today [74% of mining concessions](#) in the country are owned by Canadian companies.

The mining sector employs approximately 2.5 million in Mexico and generated US\$19 billion in exports in 2021. Most mining in Mexico takes place in open-pit mining, a form of extraction that deeply impacts the surrounding areas of the sites. Development scholar Darcy Tetreault gives the [example](#) of the community of Cerro San Pedro, where a mine owned by Canadian company New Gold was granted permission to mine by the state government of San Luis Potosí, despite the area being designated a protected site for natural conservation. This involved relocation of the town's inhabitants to a nearby hamlet. Locals protested the mine and faced police intimidation in response. A lawyer who helped organise demonstrations against New Gold was forced to flee the country and a municipal president opposed to the mine was later found murdered.

This is not the only Canadian-owned mining project linked to violence in Mexico. The Justice and Corporate Accountability Project found that between 2000 and 2015, [28 Canadian mining companies](#) were involved in incidents of violence and criminalisation across Latin America; these incidents include 44 deaths, 403 injuries and 709 cases of "criminalisation" (legal complaints, arrests,

detentions and charges of protestors). Eight of the reported deaths took place in Mexico. The project found that only 24.2% of the deaths and 12.3% of the injuries were acknowledged by the companies involved.

Despite the evident need for reform of mining practices in Mexico, the new measures quickly triggered criticisms from Canadian officials, with concerns being raised that Mexico's plans to give preferential treatment to SOEs breach the obligations of both the USMCA and CPTPP free trade agreements. Canadian trade minister Mary Ng urged Mexico to uphold "[rules-based trade](#)" and ambassador Graeme C. Clark reminded the Mexican government to "[be aware of its responsibilities](#)" as party to free trade agreements. While the scope for Investor State Dispute Settlement (ISDS) is reduced in the USMCA when compared with NAFTA, the CPTPP (to which Canada and Mexico are both parties) does include such provisions. It therefore may be possible for foreign investors to sue the Mexican government through the CPTPP if their rights have been violated by law changes that favour SOEs.

Representatives from Canadian capital have similarly voiced concerns. Chair of Canadian-headquartered Equinox Gold Ross Beaty described the reforms as "[aggressive](#)" and "a very significant negative to Mexico's previously good investment climate for mining". Criticisms were also raised by Mexico's national mining chamber Camimex, that warned that the reforms could cost [US\\$9 billion](#) in investments and up to 420,000 jobs. Douglas Coleman, CEO of the industry media outlet Mexico Mining Center, described López Obrador as "[antagonistic](#)" and "uninformed" in his approach to mining. For all the rhetoric, investment continues to flow into Mexican mining and [increased](#) in 2023, raising to US\$122.4 million in the first quarter of 2023 (a 55% increase on the previous three quarters combined) and US\$137.7 million in the second quarter.

López Obrador is pursuing the resource nationalism common to Latin American governments in the period of import substitution industrialisation and the more recent pink tide administrations. Claudia Sheinbaum, nominated to succeed López Obrador as Morena candidate in next year's general election, compared the decision to nationalise lithium to the [nationalisation of oil](#) by Cárdenas almost a century ago, a popular measure that remains a source of national pride for Mexicans. As the Mexican government has discovered through challenges to lithium nationalisation, mining reforms and limits to the imports of Genetically Modified corn, national sovereignty faces a formidable obstacle in the contemporary world-economy in the form of free trade agreements.