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Mexico's Judicial System: Implications for USMCA and Investment

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In 2024, Mexico implemented a major constitutional reform of its justice system, a change that has become a significant concern for various sectors and undermined investor confidence. In light of the USMCA negotiations, addressing the risks posed by this new system is essential.

Although President Claudia Sheinbaum has stated that her government is still analyzing the possibility of postponing the 2027 judicial election until 2028, a group of lawmakers from her own party, Morena, recently introduced a to modify certain aspects of the previous reform. It is unclear if the new bill will be approved, but its existence shows that the Mexican government has real concerns about the new justice system.

1. What Changed with the Judicial Reform?

As part of former President Andrés Manuel López Obrador agenda, the Mexican Judiciary was dramatically reshaped by a constitutional reform in 2024, which was presented as the only way to combat corruption. This reform has received criticism from numerous voices.

With the new system, the entire judiciary is now popularly elected rather than appointed through promotions or competitive examinations, not only for the Federal Judiciary Branch, but also for the judiciary of the 32 states. This means that all sitting judges will be dismissed and replaced through popular vote in two stages.

The first took place in June 2025, with the selection of all nine Supreme Court justices, 50% of federal magistrates and judges -464 circuit court magistrates and 386 judges-, seven magistrates from electoral courts, and the members of the new Judicial Discipline Tribunal. At the same time, 1,800 judges and other officials from the local judiciary branch were elected in 19 states. All of them took office last September.

The upcoming judicial election on June 1st., 2027, will involve a total renewal of the judicial system, selecting the remaining 50% of magistrates and federal judges, magistrates of electoral courts, and numerous local judges.

Under the previous system, judges were selected by the judiciary's self-governing body —*Consejo de la Judicatura Federal*(CJF)— based on an evaluation system. Both the CJF and the evaluation system were eliminated. Now, in order to run, candidates must be preselected by one of the three committees, one from each government branch —Executive, Legislative, and Judiciary—. With this modification, the judiciary lost independence from the other branches of government.

The requirements to run were significantly reduced, as candidates no longer need prior experience in the judicial system. Anyone with a grade point average of 8/10 on law studies and letters of recommendation can become a judge.

The Supreme Court was restructured, reducing the number of justices from 11 to 9, and eliminating the two thematic chambers, which had allowed for the distribution of cases between the plenary —full court— and the two sections. The governing body of the Federal Judiciary was split in two, creating a Judicial Administration Body, and a new Judicial Disciplinary Court with the authority to supervise, review, and sanction judges' decisions.

2. The Judiciary as an Obstacle to Investment

The Mexican justice system faces many long-standing issues, but since elected justices, magistrates and judges have taken office in September 2025, it has shown that this reform does not address any of the key systemic problems; on the contrary, it has increased concern about the independence and professionalism of the judiciary.

Various sectors of society, academia, international organizations, the private sector, and members of the U.S.and Canada governments have expressed the need to address the risks and challenges posed by the new judicial system. In recent weeks, these concerns have been raised in light of the USMCA negotiations, along with the intent of President Claudia Sheinbaum's to attract investment to Mexico.

It has been widely recognized that an independent judiciary is a factor that fosters investment projects. The three major rating agencies —Fitch, Moody's, and Standard & Poor's— maintain medium-to-low investment-grade ratings for Mexican sovereign debt. In Fitch's most recent report dated April 10, 2026, it is said that "The Sheinbaum administration is trying to increase investment, but this could be deterred by private-sector concerns about institutional reforms, especially a major judicial overhaul". As early as November 2024, Moody's"projected a negative outlook, highlighting that the enacted constitutional overhaul of the judiciary poses risks to Mexico's checks and balances."

The U.S. Department of State's report "2025 Investment Climate: Mexico" also highlighted concerns regarding the Mexican judicial system, noting that these could undermine the predictability and impartiality of judicial decisions. It mentions that "investors report that recent policy and regulatory changes, including constitutional changes to Mexico's judiciary, have created doubts about the investment climate, particularly in the energy, agriculture, and formal employment pensions

management sectors." Additionally, U.S. investors expressed uncertainty regarding the evolution of bilateral policies and the outcome of the 2026 USMCA review.

During a House Foreign Affairs Committee hearing, on April 17, 2026, Michael Kozak, U.S. Assistant Secretary of State for Western Hemisphere Affairs, publicly stated that he and U.S. investors have repeatedly discussed with Mexico the need for qualified, independent judges who are not controlled by cartels or by countries like China. He acknowledged that this is a matter of concern and noted that if the Mexican government wants to attract investment, there must be confidence in its judiciary system.

3. What are the Primary Risks for Companies?

Following the initial elections, Mexico's judiciary has become more susceptible to political influence. Several Supreme Court justices, elected in 2025, are members of Morena, the ruling party, or closely aligned with former President López Obrador or President Sheinbaum. This alignment has become evident in areas like tax matters, where the new Supreme Court has issued rulings consistent with the views of the current presidential administration.

There are also concerns regarding the competence of the new judges and magistrates, particularly in areas requiring specialization and technical expertise, such as antitrust law, telecommunications, and energy. These issues directly impact investment projects.

4. What are the Key Points of Morena Lawmakers' New Bill?

The Bill seeks to refine the judicial election model and strengthen public confidence in the judiciary as a fundamental pillar of the rule of law, but it is limited on addressing the problems that have been identified. This proposal focuses on:

Evaluation. The experience of the 2025 electoral process demonstrated that just requiring minimum academic grade point averages or letters of recommendation for the candidates to attend the election is insufficient to measure technical competencies, such as legal argumentation, interpretation of laws, and a human rights perspective. Furthermore, in the past election, the review of thousands of files overwhelmed the selection committees.

Overlapping elections. In 2027, the second half of judges and magistrates of the Federal Judicial Branch will be elected in the same electoral process as governors and other public servants. The Bill states that this will create serious risks: less scrutiny of candidates' professional qualifications, misinformation among voters, the politicization of candidacies, and significant operational pressure on the *Instituto Nacional Electoral*(INE, National Electoral Institute), the Mexican authority in charge of federal elections.

Workloads and vacancies. Under the new organization, the Supreme Court is facing heavy workloads. Also mentions that the current design does not allow prolonged absences or permanent vacancies from the Supreme Court justices, magistrates, and judges to be covered quickly, thereby

putting the continuity of justice at risk.

5. What are the Solutions Proposed by the Bill?

After identifying some of the current model's deficiencies, particularly inadequate technical requirements and the risk of politicization from concurrent elections, the Bill proposes a set of solutions aimed at restructuring the selection of judges around three core pillars: mandatory professionalization, centralized evaluation, and political de-linking of the electoral calendar.

New date and depoliticization. To avoid overlap with political processes, it is proposed to postpone the next judicial election until June 2028, thereby allowing more time for public deliberation and enabling the INE to play a more prominent and orderly role.

Certification and a new committee. For the selection of justices, magistrates and judges, a certification of competencies issued by the National School of Judicial Training through standardized exams will be required. The three committees from each of the Executive, Legislative, and Judicial branches will also be eliminated to create a single Evaluation Committee that would be composed of representatives from the three branches.

Local judicial branches. For the election of local judges, certification of qualifications issued by the National School of Judicial Training will also be required.

Efficiency. To expedite matters, the Supreme Court will operate in plenary and in two sections. A new framework will be established to enable the Judicial Administration Body to fill vacancies promptly. In the event of resignations or permanent removal of judicial officials, the Senate will be able to elect a replacement.

Precedent System. The rulings of the Supreme Court of Justice will be binding on other courts only if a legal opinion is published. This would move away from the current precedent system.

The Bill states that once the constitutional reforms are approved, a Citizen Observatory could be established to publicly evaluate the performance of judges, although this proposal is not provided for in any constitutional provision.

The proposal intends to modify the requirements for judicial candidacy, eliminating birthright citizenship and allowing naturalized Mexican citizens to hold a position in the judiciary. The initiative does not explain the reasons behind this change.

6. Next Steps

In response to questions raised during the morning press conference, President Claudia Sheinbaum stated that her government is evaluating whether or not it would be appropriate to postpone the 2027 judicial election to 2028, although to date there is no concrete proposal from the federal government. For her part, the head of the president of the *Instituto Nacional Electoral*, Guadalupe Taddei, made public the institute's request that the judicial election be held in 2028, considering that

this would benefit the process.

However, pressure on the federal government to provide certainty for investors could compel a judicial reform that goes beyond merely changing the date of the election for judges and magistrates, extending to one that addresses the lack of credibility in the Mexican justice system. The Bill introduced may be a step forward in opening public debate, but it remains to be seen whether it will advance through the legislative process and gain the approval of those who have emphasized the need for change.