



PRIVUS CAPITAL

Cannabis in Mexico Report

Regulation of Recreational Cannabis Use in Temporary Legislative Limbo: An Update

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Overview

By the close of its most recent Ordinary Session on Friday, April 30, 2021, the Mexican Congress had still not passed the new law regulating the production, marketing and sale of cannabis and its derived products for personal recreational use. The Congress, therefore, entered into a state of non-compliance with an order of the Supreme Court of the Republic to appropriately regulate legal cannabis use by April 30, creating an awkward legal situation. The April 30 deadline had followed three previous extensions of past deadlines missed by Congress.

The draft cannabis law is now orphaned in a kind of legislative limbo.

Context

The situation is the product of a marked difference in approach to the draft cannabis law between the two chambers of Congress. Last December, the Senate sent to the lower-chamber *Cámara de Diputados* (the “House”) its original final draft version of the legal text for consideration, approximately 80% of which was subsequently amended by the House in roughly 175 separate changes and passed on March 10, 2021. The House version that was then returned to the Senate as the originating chamber for final consideration bore little resemblance to what the Senate had approved originally, prompting an angry response from the Senate leadership. Reports suggest that the Senate had at least 16 fundamental objections to the House version. Relevant Senate committees that reviewed the House bill agreed on a very tight vote in early April to refer

the bill on to the plenary of the Senate for final vote to maintain momentum in view of the Supreme Court deadline. But then progress stopped.

Claiming broad lack of consensus among Senators from different political parties regarding the House version, key leaders of the Senate, especially MORENA Senator Ricardo Monreal Ávila, President of the Senate's Political Coordination Bureau (*Junta de Coordinación Política*), began around April 8 to plant the idea that they would request again a further extension from the Supreme Court until the next Ordinary Session, which begins in September 2021. A request for such an extension, however, does not appear to have been made. The poor political optics of yet again seeking an extension, which would have been the fourth in a row, could have been a consideration.

What's Next?

On Friday, April 30, 2021, as the Court-imposed deadline passed, both Senator Monreal and Eduardo Ramírez Aguilar, the "Speaker" of the Senate and also from the MORENA party, suggested that the law on recreational use of cannabis ("fixed" by the Senate of course) should be taken up at an extraordinary session of Congress later this summer, after the national legislative elections for the *Cámara de Diputados* scheduled for Sunday, June 6. The Mexican political class and media pundits are widely discussing the idea of such an extraordinary session, but it is not yet a certainty in terms of timing, format and agenda. A possible timing could be at the end of June or beginning of July.

The new House that would consider the cannabis law yet again could look very different after all 500 members are either re-elected or changed, which could alter the dynamics in unpredictable ways.

Both Senators Monreal and Ramírez have declared recently that the cannabis law must "be a good law" that reflects the interests and needs of all interested parties. At the same time, they have also said that the cannabis bill should be passed, or, at minimum, returned to the House for final approval. As Ricardo Monreal summarized on April 30: "We have to move it [the bill], even if that means returning the draft to the Chamber of Deputies. I am convinced that it is important to approve this federal law that regulates the use of cannabis."

Along with the law on recreational use of cannabis, other pieces of important legislation were not passed by the end of the congressional session. The principal challenge facing

the cannabis bill is not whether it will eventually be passed, which seems almost assured after several years of legislative activity, but rather whether it will be prioritized in the face of many other political considerations and priority issues in Mexico at this time, some more controversial politically than the regulation of cannabis. The agenda of an extraordinary session of Congress, should it take place, will be charged.

Technically, there is also some debate about the constitutionality of considering draft legislation in an extraordinary session that was not passed in an ordinary session of Congress, a quirk of the Mexican Constitution that could become relevant. There is equally a view among some political commentators and other observers that the Mexican Congress finds itself in some form of contempt of court, or at least non-compliance with an order of the Supreme Court, for not having put in place the regulation of the legal recreational use of cannabis by the deadline of April 30. It is an awkward and rather confusing situation, but the likelihood of the Court pursuing sanctions of some kind is slim given that it has other priorities and is currently at the center of a political controversy concerning the extension of the term of the Chief Justice of the Court.

We will continue to watch the evolution of the situation related to the regulation of the recreational use of cannabis in Mexico. How exactly the next steps will play out is unknown at this time, but it will become clearer, and we will report again.

Regardless of this delay, the legal medical use sector in Mexico has been formally open since January 12 of this year, and there is much opportunity in that space.

The time is right to explore how best to enter the cannabis market in Mexico. Monarch and Privus are here to help guide you through the process.

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Monarch Global Strategies and Privus Capital

The steadily increasing commercial interest in cannabis, its derivatives, and ancillary products and services (for recreational and medicinal use) across North America creates business opportunities. Yet rapidly evolving legal and regulatory frameworks, which differ among jurisdictions, together with the associated complex domestic and cross-border politics, warrant careful analysis and well-planned strategies for entry into any aspect of the sector, especially for firms seeking cross-border partnerships, distribution channels, or investment opportunities.

Monarch Global Strategies LLC and Privus Capital, Inc. work together to help clients navigate this complex environment, offering unique skills, experience, and relationships to successfully expand into the legalized cannabis sector across North America.

Services include:

- Market entry support
- Risk analysis and strategic planning
- Match making for strategic partnerships, distribution agreements, start-ups, and M&A
- Private equity and corporate strategic investment
- Regulatory filings and trademark registrations
- Government relations, advocacy, and stakeholder engagement

To discuss business matters related to the emergent cannabis space in Mexico, contact us at:

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