

Mexican strategic landscape

Monthly report

FEBRUARY 2020



THE INSTITUTE

FOR STRATEGY AND DEVELOPMENT RESEARCH





- NORTHWESTERN
- NORTHEASTERN
- WESTERN-BAJIO
- CENTRAL
- SOUTHERN
- YUCATAN PENINSULA

The Mexican Strategic Landscape Report is a monthly publication of the Institute for Strategy and Development Research, a think tank dedicated to the analysis and the dissemination of information in key topics which address Mexico's problems and structural challenges. This document provides insights from the six different regions that make up the country. It helps readers and decision makers comprehend the particularities and complexities of each one concerning four main subjects:



Security



Development



Natural resources



Power and authorities



Despite the growth and economic dynamism traditionally attributed to northern states, cities such as Monclova and Sabinas, both in the state of Coahuila, have become less competitive in contrast with Central Mexico by not diversifying their industries. Regardless of the increment in violence in the states of Puebla or Guanajuato, levels of foreign direct investment remain high. Attractive regions rely on a strong mix of sources of employment, infrastructure, investment, and connectivity.

Access to energy supply and competitive infrastructure, are some of the challenges faced by businesses and local governments. Although the national narrative promoted by President López Obrador supports the idea of transforming less competitive states in the south, social opposition to current initiatives such as the Mayan Train or the Inter-Oceanic Corridor creates uncertainty about their possible success and could interfere with the development of the region.

The failure of local governments to address the demands by women who have suffered systemic violence for years, has created a national movement to highlight the problem. The long-term institutional and social effects are yet to be seen; however, the subject has now been placed in the national agenda. Organizations will need to improve the rights and labor conditions for women.

What to observe during March 2020:

- Coronavirus (Especially in Mexico's southern region)
- Pemex's financial constraints
- Violence in tourist destinations



Region 1: NORTHWESTERN

SECURITY



Cases of fentanyl overdoses have increased in Tijuana. One of the reasons is that sellers have begun mixing this drug with other substances and users are not aware of how this increases its toxicity. Methamphetamines enter the United States mainly through Tijuana and Mexicali, according to a DEA report. This drug has raised the number of drug related deaths in the United States by 22%.

DEVELOPMENT



Aeromar, a regional airline, will launch two new routes in Mexico: Guadalajara-Mazatlán, and Guaymas-Tucson. The start of operations is expected in May 2020 and could generate an economic spill as well as improved connectivity in the region.

NATURAL RESOURCES



Fishermen in Mazatlán (important port and touristic place in Sinaloa) carried out a peaceful demonstration against the federal government because of budget cuts. The high cost of diesel has made the operation unsustainable. They mention that if their demands are not met, they will block the port's navigation channel.

POWER AND AUTHORITY



Border cities like Tijuana and Nogales are on alert for coronavirus. Local authorities have instructed their Health Ministries to remain vigilant for possible cases. No coordination with federal authorities has been mentioned as of the writing of this report.

INSIGHT

Local solutions abound in the absence of national policies. Local governments have stood out in matters of prevention against coronavirus and improvement of connectivity between regions through expanding tourism infrastructure. Local governments in the region have begun a process of integration as an answer to the lack of coordination with the federal government. The response to coronavirus, the improvement in connectivity and investments for the expansion of tourism infrastructure are just some examples of this situations.



SECURITY



Women in Monterrey protest against harassment. Stalkers used a website where they narrated their experiences in the subway. Because of this, women demand the exclusive use of the pink wagon (women's exclusive wagon) be respected and the extension of its service hours. During 2019, Nuevo León was placed first in the number of emergency calls related to incidents of sexual abuse.

DEVELOPMENT



AHMSA faces an internal crisis after the dismissal of workers and the high debt owed to suppliers which has affected the local economy. AHMSA is the largest integrated steel plant in México with corporate offices in Monclova, Coahuila. The crisis started in may 2019 with the arrest of former CEO Alonso Ancira.

NATURAL RESOURCES



Workers of Sabinas, Coahuila, ask for the reactivation of the coal industry. There has been a decrease in purchases of coal, but also in fuels and spare parts due to the uncertainty that prevails in the area. This stands out due to the region being one of the most important coal producers in the country.

POWER AND AUTHORITY



CANACO (National chamber of commerce) declared that the "Northern Border Plan" has been forgotten by the federal government. This plan was established 1 year ago and sought to encourage investment and employment in the area. Businessmen who adhered to the plan, mention delays in its implementation.

INSIGHT

Some of the opportunities for development in northeastern Mexico are:

- Diversification of employment sources
- Incentives for renewable energy infrastructure
- Compliance, monitoring and evaluation of projects

Full development of this region can bring significant benefits to communities that are plagued by violence and forced to migrate due to lack of employment.



Region 3: WESTERN-BAJIO

SECURITY



Human rights organizations in Guanajuato claim that they are becoming more vulnerable to threats made by groups of organized crime. Activists that work for the defense of the relatives of missing persons have fled the area due to continued harassment.

DEVELOPMENT



Despite the wave of insecurity that affects the state, multinationals such as Toyota keep investing in Guanajuato. Recently, the Japanese company inaugurated a plant in the town Apaseo El Grande.

NATURAL RESOURCES



The ban on single-use plastics keeps expanding throughout Mexico. Aguascalientes is the latest state to approve this measure as of February of this year.

POWER AND AUTHORITY



The implementation of a new centralized health institute (INSABI in Spanish) has exposed power struggles between the federal government and governors from this region. Two states remain unaligned to the health proposal: Jalisco and Aguascalientes.

INSIGHT

Although **the Western region of the country keeps positioning itself as an attractive zone for doing business**, it could reach a tipping point in the following years because of the increasing wave of insecurity in the states of Jalisco, Guanajuato and Michoacan.



SECURITY



After the release of members of “Guerreros Unidos”, a criminal group, from prison, an increase in violence is expected in the town of Iguala, Guerrero. This city is located in a strategic point in the drug-smuggling route between the state of Guerrero and the Lazaro Cardenas port in Michoacán.

DEVELOPMENT



The Mexico-Toluca train faces legal disputes from local communities. Communal land owners (ejidatarios) of San Buenaventura in the State of Mexico demand the payment of 300 million pesos (USD 15.4 million) for the affectation of 96 thousand square meters that were used for the construction.

NATURAL RESOURCES



Due to the opposition of local communities the future of Tuxpan-Tula gas pipeline is uncertain. Despite the progress of the project, the federal government announced a change of route in the pipeline generating a precedent that can discourage future investments in energy in the country.

POWER AND AUTHORITY



The city of Puebla occupies the third place in car theft nationwide. 2,424 cases were registered in 2019, representing an average of 6.6 cars per day and 69.1% of them occurring with violence, according to data from the Mexican Association of Insurance Institutions (AMIS).

INSIGHT

One of the main challenges strategic projects face in this region is reaching a consensus with local communities who have the power to generate delays and disruptions. This can generate an environment of uncertainty and fear for future investors.

Region 5: SOUTHERN



SECURITY



The recent influx of migrants is challenging border cities such as Tapachula in Chiapas. It shows the need for readdressing the way in which human displacements were previously understood in that region: Chiapas has changed from a transit zone to a site of permanent stay.

DEVELOPMENT



Emblematic infrastructure projects in southern Mexico, such as the Dos Bocas Refinery and the Interoceanic Corridor for the Tehuantepec Isthmus, have triggered opposition groups determined to challenge the intentions of the current federal government. Associations and activists decry a lack of studies of socioenvironmental impacts, as well as the land dispossession, a common trend in historical territorial conflicts.

NATURAL RESOURCES



Indigenous groups in the state of Oaxaca are organizing against mining concessions accused of severe environmental impacts in local water sources. Authorities of the town of Capulálpam de Méndez demand a federal judge carry out the suspension of mining concessions in gold, silver, and other minerals in the area. The concessions were given without following the local consultation process.

POWER AND AUTHORITY



Tensions between local communities in Tabasco and Mexico's state-owned electric power company (CFE) are reemerging. The state had already negotiated an agreement with the federal government to reduce tariffs and condone a historical debt. Users still complain about high tariffs. Social discontent in this matter is a regional tendency affecting the state of Chiapas where, despite having critical hydroelectric infrastructure, local communities point to high tariffs.

INSIGHT

Business leaders and public authorities fear that changes in transnational migration could negatively impact the economic competitiveness and institutional capability of an already complex part of Mexico known for lagging socioeconomic metrics. The federal government launched an initiative called the Comprehensive Development Plan with Central America to contain trans-border human displacement. The strategy still lacks measures to integrate and cover basic needs for the migrants permanently settled in the region.

Region 6: YUCATAN PENINSULA



SECURITY



The state of Quintana Roo is on a rising trend of insecurity levels, a tendency that contrasts with its more peaceful neighbor Yucatan. The reason behind this divergence is the fact that places such as Cancún and Mayan Riviera attract opportunistic groups related to drug trafficking and other illegal activities. Quintana Roo is also a contested zone for criminal organizations seeking to export narcotics to Central and Southern America through maritime routes.

DEVELOPMENT



Local pressure groups which claim to represent communal land owners (ejidatarios) express agreement in selling their lots in favor of the Mayan Train passageway. This is an emblematic public infrastructure project promoted by the current federal administration. It intends to boost economic activity in the region, however, the plan has been criticized for lacking socioenvironmental studies and uncertainty about its construction.

NATURAL RESOURCES



The Cuxtal II gas pipeline is the current federal project for providing more energy sources to the region, known for its poor interconnection to the rest of the country. The pipeline will join to the already existing Mayakán system in meeting the rising industry needs in the area. The Peninsula has been affected by electrical blackouts in recent months.

POWER AND AUTHORITY



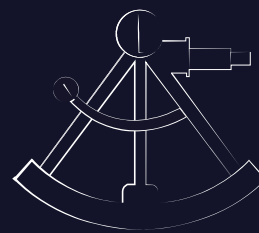
All three states in this region are immersed in an old territorial border dispute that could disrupt the development of the Mayan Train infrastructure project. This situation arises considering incoming elections (2021) in an area rich in resources and a high number of indigenous peoples. It is expected that states will respond with strong political and legal measures, while some groups might threaten the free movement of goods to tourist areas.

INSIGHT

Although the attempted revitalization of PEMEX is reactivating oil fields within the Campeche Basin, the long-term challenges for this region are to consolidate the transition to alternative energy sources. The construction of new gas pipelines projects could contribute to this objective, attracting new industries working with natural gas as well as incentivizing the arrival of renewable sources. The three states view this as an opportunity to burst economic development.

THE INSTITUTE

FOR STRATEGY AND DEVELOPMENT RESEARCH



Contact

This document has been prepared by the staff of the Institute for Strategy and Development Research. For further material, inquiries, products, or possible research ideas, please contact us at:



InstituteSDR



+52 (81) 8363 0021

