

Mexican Strategic Landscape

Monthly report

APRIL 2020



THE INSTITUTE

FOR STRATEGY AND DEVELOPMENT RESEARCH





- NORTHWESTERN
- NORTHEASTERN
- WESTERN-BAJÍO
- CENTRAL
- SOUTHERN
- YUCATÁN 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



Overview

Economic pressure in strategic sectors. The automotive, manufacturing, tourism, oil, and mining industries face sharp losses. Thousands of workers risk salary reductions, furloughs, or even layoffs. Among these, energy production is highly sensitive to geopolitical risks, as well as inadequate hedging to for disruptions in prices, insufficient storage capacity, and accelerating threats of piracy in the Gulf of Mexico. However, the sector in Mexico was already struggling before the crisis. COVID19 will only accelerate other trends in the country.

Changes in social attitudes. Unrest among the population expressed hostility to authorities, with some defying social distancing or bans on large gatherings. In some regions, residents blocked roads to limit the flow of visitors between towns, although legally they do not have the power to do so. Others have incited to looting businesses, already hit by the economic situation. Aggressions and discrimination towards medical personnel have also taken place.

Crisis in the medical sector. The lack of supplies has made medical personnel vulnerable to contagion. In northern states like Coahuila or Sinaloa, infections rose fast, at the cost of nurses and doctors. An inefficient response by the Federal government has even spurred the creation of regional political coalitions, such as the one formed by the governors of Tamaulipas, Nuevo León, and Coahuila.

Domestic violence increased during quarantine. Even after national protests in March against violence directed at women, cases rose in some states by 30%. Authorities inform that calls to emergency hotlines for domestic violence, and sexual abuse increased drastically. Women face aggressors in their own homes.

What to observe during May 2020:

- **Tensions between governors and the President about economic recovery, fiscal justice, and the response to the health crisis.**
- **Rhetoric about social inequality among regions focused on the North and South of Mexico.**
- **Waxing and waning approval of political figures and their parties as a preview of upcoming elections.**



Region 1: NORTHWESTERN

SECURITY

Armed confrontation leaves 19 dead in Madera, Chihuahua. Members of organized crime groups fought for several hours in the mountainous region of Chihuahua. Authorities did not intervene to prevent further violence. The absence of local public security forces in the area has caused an exodus of hundreds of families in the state.

DEVELOPMENT

Due to the health crisis, 60% of mines in Chihuahua stopped operating. Following the closure of non-essential businesses in the country, 258 thousand mineworkers from 73 communities have been affected by the measure. Although the workers continue to receive their wages, it may be unsustainable in the short term if operations do not resume. Mining is a significant component of Chihuahua's economic activity in the mountainous region that borders Sinaloa.

NATURAL RESOURCES

US ratifies fishing embargo on Mexico. The US response came after the Mexican governments inability to protect the vaquita, an endangered porpoise in the Sea of Cortés. It will affect fishers in the states of Baja California and Sonora. Economic activity had already impacted the industry, which will face more restrictions for exporting their products.

POWER AND AUTHORITY

Migrant shelters in Mexicali act to stop the spread of COVID19. New arrivals of suspicious cases are transferred to alternative accommodations. This measure has made it possible to contain contagions among the migrant community, in a state that has been one of the most affected by COVID19. Traditional shelters have seen a decrease of 40% in the number of migrants.

INSIGHT

Maquiladoras and mining are two of the most affected industries by the pandemic in the area.

They have been differently affected by the measures adopted by local governments. Workers in maquiladoras have demanded better conditions to reduce exposure to COVID19. The challenge for local governments will be reactivating the economy without putting lives at risk. Authorities and business people are looking to ensure a safe return to activities while also serving the needs of US-Mexico supply chains.



Region 2: NORTHEASTERN

SECURITY

Coahuila improves its security perception. The National Survey on Urban Public Security showed an improvement in security perception among citizens during March. Saltillo, the state capital, is within the five safest cities in Mexico, and Piedras Negras the safest border city in the country.

DEVELOPMENT

Governors seek to boost the local economy. The governors of Tamaulipas, Nuevo León, and Coahuila are meeting with the private sector to create a plan to respond to the crisis. They called on the President for a more equitable distribution of resources, considering how much they contribute to the national economy. Local leadership has strengthened and has produced regional blocks to face common challenges.

NATURAL RESOURCES

Investments in gas could stop in Tamaulipas. Although gas production is an essential industry, the drop in prices has caused delays in payments to industry-suppliers, which could affect future investments in the state. The situation happens in tandem to the collapse of Mexican oil futures, with the second-lowest price in its history, and with a considerable impact on the Mexican economy.

POWER AND AUTHORITY

The return of migrants and visitors to Mexico has stopped. Governors in the region recommended Mexican workers in the US to suspend non-essential trips to the country to prevent the spread of COVID19. They argue that the US leads worldwide confirmed cases and that the arrival of these visitors could endanger many rural communities in Mexico.

INSIGHT

Governors unite to address local problems disregarded by the Federation. Regional fronts formed due to political demands in the way the President has handled the health emergency and the economic crisis. Northern states argue that they contribute the most to the Federation while receiving the least in return. There is discomfort among the business class due to the lack of support for their activities. The block adopted quite forceful measures to flatten the contagion curve, some states taking them even before being issued by the President and the Health Ministry. The activism of this block will intensify tensions and confrontation with the central government.



Region 3: WESTERN-BAJÍO

SECURITY

Another wave of insecurity affects the economy of the region. Aguascalientes, a small state situated 220 kilometers (137 miles) northeast of Guadalajara, used to be known for its low crime rates, and a competitive automotive industry. Recent criminal activity has risen in the area: last month, the state accumulated 239 crimes per 100 thousand inhabitants, a level above the national measure.

DEVELOPMENT

Production and export items from the region remain at a standstill. Guanajuato reduced 64.5% of footwear production, one of its most important sectors. In Aguascalientes, automotive companies halted operations with nearly 40 thousand workers in indirect businesses losing half their wages and benefits. Jalisco, one of the most competitive states in the country, is already in fourth place with higher unemployment rates.

NATURAL RESOURCES

Tensions appear between CFE (the state-owned electricity provider) and regional water public utilities. In Colima, water companies have not been complying with electricity bills. The director of the State Water Commission asked CFE not to interrupt service to local utilities that struggle with operations after losing federal subsidies. This situation threatens communities that have increased water demand during the pandemic.

POWER AND AUTHORITY

Citizens and human rights groups question the legality of curfews required by local governments. In Michoacán, small towns such as Tangamandapio, Zamora, and Zacapu, limited free transit of citizens during the night. Law experts warn that only the federal government has the power to impose these measures. These legal discrepancies are part of an ongoing debate about the efficiency of national and local authorities in times of crisis.

INSIGHT

The temporary shutdown of businesses could extend to June with effects felt by the strategic industries of the region, already a part of transnational supply chains. For instance, automotive plants in Aguascalientes could reactivate during the last days of May according to the workers' union, even though executives talk about an estimated return date in the middle of the month. Pressure from US companies already on their way to recovery could influence decisions by local authorities.



SECURITY

Amnesty leads to dozens of prisoners released during the pandemic in the State of Mexico. This decision came due to overpopulation in state prisons. Designations were made to protect the elderly, pregnant women, and inmates with terminal illnesses, freeing them if they were not convicted of violent crimes. Prisons lack adequate infrastructure to isolate sick patients, which would represent a public health risk.

DEVELOPMENT

Acapulco's tourism sector is one of the most affected. The closure of beaches and the travel restrictions that were imposed in the country have caused millions in losses for the city, one of the most famous tourist destinations in the country. The sector represents 77% of the State's GDP. This situation has caused the loss of thousands of jobs, which could lead to an increase in violence in a region already affected by organized crime groups.

NATURAL RESOURCES

Communal landowners in the state of Hidalgo blocked access to local roads demanding payment of old debts by PEMEX. Members of the community of El Salto (20 miles south of state capital Tula) stopped personnel from the National Center for Natural Gas Control (CENEGAS) from using their roads alluding to a debt incurred by PEMEX in 1986. Political motivations could be behind these actions. Bad relations with the community affected local operations by the company.

POWER AND AUTHORITY

Electoral authorities postpone the upcoming elections in the State of Mexico. The elections for governor, members of State Congress, mayors, and town councils, will start in January of 2021 and not in September of this year as initially planned. The measure will save 25 million pesos (approx. USD 1,040,000). The state is the most populous in the country, and it has the highest number of registered voters, with 12 million citizens. People expect the next election to be very competitive; the State of Mexico is one of the last states with uninterrupted rule by the traditional PRI party.

INSIGHT

Alarms of contagion grow in the region. High population density is a challenge in the central part of Mexico. For example, in overcrowded penitentiary centers, cases of COVID19 worry authorities who decided to suspend family visits and begin a process of release for humanitarian reasons. Local elections where parties devote a great deal of resources for the possibility of attaining a large number of votes have also been affected. The delicate situation has disrupted many economic sectors, like tourism. Trust in local institutions is low in the region, and with a high susceptibility to contagion of Coronavirus, worried citizens could vote for political alternatives in the next months, amidst economic recovery.



SECURITY

The pandemic imposed additional social burdens to migrant dynamics in southern states, like Chiapas. Migrants currently staying in Mexico have revealed they were not informed about special measures to prevent their exposure to COVID19. In Tapachula, on the border with Guatemala, immigrants have protested and camped outside the offices of the National Migration Institute without following social distancing rules. People awaiting repatriation claim to have been abandoned by the Mexican government. Local shelters are insufficient, and transit home was delayed by economic uncertainty.

DEVELOPMENT

The fall of oil demand threatens states such as Veracruz and Tabasco. During the last days of April, 72 oil tankers with imported fossil fuels remained stuck in the coasts of the Gulf of Mexico until they could unload its product. Storage capacity on land was overwhelmed, causing significant daily losses of about 20 to 30 thousand dollars in fees that are paid by PEMEX subsidiaries. This unfavorable scenario will financially strain the already indebted Mexican public enterprise.

NATURAL RESOURCES

Tensions between mining companies and social communities increase in the state of Veracruz. An environmentalist activist was killed in Actopan – a town close to the Laguna Verde nuclear plant. The victim, who was also an organizer of major national events for the preservation of birds and wetlands, had publicly denounced the danger that open-pit mining could represent to watersheds and soils. Citizens claim that he was assassinated for his views against foreign mining investments. Local opposition to these projects is growing.

POWER AND AUTHORITY

Activists fear that politicians could use the health crisis to approve unpopular legislation at a moment in which public scrutiny is low. Other groups, such as CNTE, an influential teachers' union in southern Mexico, says it is determined to monitor the activity of the state congress in Chiapas closely. Social distancing rules have interrupted public demonstrations of political movements.

INSIGHT

The Federal government maintains its position on going ahead with the construction of its emblematic projects. Plans for infrastructure investment, such as the Interoceanic Corridor in Tehuantepec, are receiving even more funds. The Ministry of Finance is already considering a sum that could reach up to 6.1 billion pesos (approx. USD 250 million) for the 2021 FY. Nonetheless, the economic challenges are daunting for Mexico. They will test how the President will deal with state governments already compromised with projects such as the Maya Train, and the Dos Bocas Refinery.



Region 6: YUCATÁN PENINSULA

SECURITY

Pirate attacks to ships in the Gulf of Mexico are becoming more frequent. At the beginning of April, pirates robbed four merchant boats close to the coasts of Tabasco and Campeche. The last reported incident was that of the “Buccaneer” oil tanker: five people with fire weapons attacked 70 crew members. Because of these recurrent episodes, merchant marines demand a higher presence of coast guards to protect them from this new trend in organized crime. Pirates operate mainly within the Campeche Basin, a strategic zone for oil-related economic activity.

DEVELOPMENT

The tourism sector, one of the main activities of this region, is suffering during the health crisis. In Mérida, the state capital of Yucatán, about 95% of places of lodging are closed. Neighboring cities such as Cancún, the main touristic hub in the country, have an accumulated hotel occupancy rate below five percent. According to the local Hotel Association, some establishments have stopped their operations and fear that eroding trust by travelers could affect them even after health restrictions ease.

NATURAL RESOURCES

The agricultural sector faces droughts and declining demand. Producers are unable to sell their goods due to the restriction of transport between towns for health measures. Maize harvests, a staple of the region, could be lost. Droughts have hit beekeepers since last year, and meat producers could lose thousands of heads of cattle.

POWER AND AUTHORITY

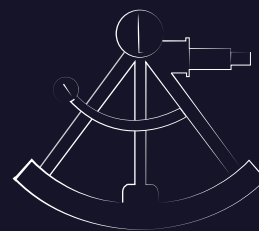
Communal landowners and local leaders have increased transit restrictions between towns. In Campeche, more than 17 communities have decided to restrict the entry of people to their lands by blocking roads and spraying vehicles with chlorine. Organizers say that they have not received support from municipal governments. Not only does this stop flow of local inhabitants, but also trade and tourism.

INSIGHT

Pirate attacks to oil ships and off-shore infrastructure are a new dynamic in which criminal organizations will hurt the energy sector in the Gulf of Mexico. This illegal activity could continue since the current government has not published any strategy to tackle or acknowledge the problem. Besides, the President has compromised resources belonging to the Mexican Navy to other priorities, not necessarily aligned with its institutional objectives.

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