

# Mexican Strategic Landscape

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Monthly report

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**THE INSTITUTE**

FOR STRATEGY AND DEVELOPMENT RESEARCH



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## Regions of Mexico

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

**Violence spilled across regions.** Fighting between and within criminal organizations led to an escalation of violence. Rival groups are fiercely reaching for lands and roads generally outside their territories. Such is the case with Guanajuato and Mexico City, where lucrative markets and transit routes are located. Threats to the population, public officials, and state infrastructure have reached previously unknown levels.

**Low confidence for foreign investment.** Constant negative public statements by the President against ill-defined neoliberalism, and legislation that antagonizes international companies, make Mexico unattractive for investment. Low economic performance is also taking its toll on competitiveness. Spanish energy producer Iberdrola canceled a billionaire investment in Veracruz. Nationalistic feelings pervade and might reverse the much-needed liberalization of the energy sector.

**Local opposition to large-scale projects.** Investments by foreign companies and the federal government face the sociopolitical realities of many communities in Mexico. Private and public organizations lack awareness and mechanisms for dealing with legitimate demands by local citizens, indigenous peoples, and environmental activists. Failing to address their concerns could lead not only to disruptions to projects, like the Mayan Train, but also to violence such as the death of fifteen members of the Ikoot community in San Mateo del Mar, Oaxaca.

## Things to observe in July 2020:

- **Accelerated rates of COVID19 contagion**
- **Legal strategies against the construction of the Mayan Train**
- **Continuous efforts by governors against federal obstruction of energy projects**
- **Economic sectors reacting to the USMCA agreement entering into force**



## Region 1: NORTHWESTERN

### SECURITY

#### **The battle between groups of the Sinaloa Cartel rages on.**

Several members of the "El Bagrecito" community were killed in the town of Tepuche. Civilians were among the 16 dead. In recent months, the northern part of Sinaloa has been the place of significant battles between rival factions of the Sinaloa Cartel. A man known as "El Ruso," a henchman for Ismael "El Mayo" Zambada, leads a group against the "Chapitos," some of El Chapo's sons. Violence has exacerbated in rural areas of the state.

### DEVELOPMENT

#### **Workers return to activities in maquiladoras in Ciudad Juárez.**

Nearly 250 thousand workers from the export industry resumed operations. The automotive, healthcare device production, and aeronautical sectors, have a significant presence in the city and are essential for Northamerican supply chains. Despite preventive measures, cases of COVID19 infections have been on the rise, both in Juárez and El Paso, Texas.

### NATURAL RESOURCES

**Farmers in Chihuahua oppose the enforcement of the International Water Treaty between Mexico and the US.** A local leader of an irrigation district in the town of Delicias stated that producers are taking a stand against the transfer of water from the "Las Vírgenes" and "La Boquilla" dams in the municipalities of Rosales and San Francisco de Conchos to the US. Citizens believe that the National Water Commission in Mexico (CONAGUA) has manipulated the framework of the treaty and information surrounding it. Water availability is a source of conflict in Chihuahua and will remain as such for the rest of the year. There is mounting pressure on the Governor, belonging to the PAN party, to negotiate water quotas and transfers with the federal government.

### POWER AND AUTHORITY

**Protests by education workers in Baja California.** Interim workers have publicly demanded the payment of pending wages after several months. Governor Jaime Bonilla, of the MORENA party, said his administration would heed their calls, but that they would pay attention to supposed anomalies carried out by magisterial unions. Recent changes in governing parties have also brought shifts in compromises with traditional associations, favoring new unions that could serve as a source of political muscle for upcoming elections.

## INSIGHT

Infighting between members of the Sinaloa Cartel led to an escalation of violence in Chihuahua, Sinaloa, and Sonora. The situation has attracted groups from outside the region to confront vulnerable factions. Families have abandoned their rural communities to flee from the violence. There is still a lack of definition for a National Security Strategy by the current government.



## SECURITY

**Tensions in the limits of Durango and Zacatecas.** Fifteen bodies were left scattered along the federal highway that connects Fresnillo, Zacatecas, with Durango. Authorities strengthened border security between the states. This route is vital for drug trafficking. Fighting for control of the territory in Sinaloa and El Bajío has spilled over. *Cártel Jalisco Nueva Generación* (CJNG) fights against the Sinaloa and the Santa Rosa de Lima Cartels.

## DEVELOPMENT

**Monterrey's Villacero Group reaches an agreement for purchasing AHMSA valued at 300 million dollars.** The sale of AHMSA, which faced significant financial challenges, will allow it to pay its suppliers and save 165 thousand direct and indirect jobs in Monclova, Coahuila. Alonso Ancira, the former CEO of AHMSA, was recently arrested in Spain. The news is welcome in a hard-hit region that is still reeling with the effects of the pandemic. The steel industry makes up nearly eight percent of Coahuila's GDP. The purchase helps in lowering production costs and consolidating the sector.

## NATURAL RESOURCES

**Poor air quality persists in Nuevo León.** Local pollution, adverse atmospheric conditions, and even dust blown over from the Sahara Desert led authorities to issue air quality warnings in recent weeks. The situation is recurring in the city, where activists are pushing for the creation of an Autonomous Commission to deal with the problem. Citizens blame the local industry, public transport, excessive car use, and the oil refinery in the nearby town of Caderayta for the problem. The issue is poised to be part of the public agenda for next year's elections.

## POWER AND AUTHORITY

**Sanctions against Nuevo León's Governor remain undefined.** The local Congress discusses how to deal with accusations of corruption against Governor Rodríguez Calderón and General State Secretary Manuel González. A scandal involving both officials during the 2018 election process has not been cleared up. The accusations include using public resources to gather signatures for Mr. Rodríguez's presidential election campaign for running as an independent candidate.

## INSIGHT

The health crisis in the country continues to deteriorate. Governors in the region formed a group to address the economic challenges they face jointly, given the inaction and disinterest that the Federal Government has maintained. Among their latest initiative is an environmental tax on heavy oil (known in Mexico as *combustóleo*) used in refineries, and energy plants. The measure has a direct effect on Mexican State-Owned Companies PEMEX and CFE and President López's actions to counter the liberalization of the public energy sector.



## Region 3: WESTERN-BAJÍO

### SECURITY

**Growing threats and violence as organized crime expands in the region.** Uriel Villegas Ortiz, a federal judge, and his wife were murdered in the state of Colima. Mr. Villegas handled an investigation on *Cártel Jalisco Nueva Generación* (CJNG). He had previously ordered the transfer of Rubén "El Menchito" Oseguera, son of the leader of CJNG, from Oaxaca to a federal prison in Jalisco, pending his extradition to the US. Two suspects, with possible links to this group, were detained. José Antonio Yépez Ortiz, "El Marro," leader of the Santa Rosa de Lima Cartel, has escalated violence in his fight against CJNG for control of the state of Guanajuato. He threatened to attack the oil refinery in the city of Salamanca. Members of Yépez's family, including his parents, were arrested and later released alleging lack of evidence. Their family lawyer was later murdered in Guanajuato.

### DEVELOPMENT

**Disputes arise for control of a mining union in Zacatecas.** In the town of Fresnillo, the new National Independent Mining Union challenged the traditional National Mining and Metallurgic Union, "El Frente," for the representation of workers in a local company. The new union is backed by Napoleón Gómez Urrutia, a politician with ties to MORENA. Several workers were injured after confrontations between both organizations.

### NATURAL RESOURCES

**Risk atlases have not been updated in Jalisco for weather-related disasters.** Local authorities in at least half the towns in the state have not identified new vulnerable populations and areas for reviewing local emergency plans. The situation is worrisome because of the pressure on optimizing resources during the COVID19 pandemic and for the upcoming rainy season.

### POWER AND AUTHORITY

**Protests against police brutality in Jalisco.** Giovanni López, a man from the small town of Ixtlahuacán de los Membrillos, in the Guadalajara Metro Area, died after injuries inflicted by members local police. Mr. López had been supposedly detained for not wearing a facemask and was hurt after resisting arrest. Protests were organized in Guadalajara, Mexico City, and other cities, echoing those in the US, against police abuse. Some speculated that demonstrators were organized by politicians wishing to destabilize Jalisco, whose Governor is a vocal critic of the federal government.

## INSIGHT

Changes in the composition of power within the region are happening. The Bajío area is an agricultural and industrial powerhouse. Its economic development rapidly rose in the past two decades as foreign direct investment and clusters settled in the region. Commercial routes for legal and illegal merchandise have expanded here, as these states form the heartland of Mexico. Splinters from former larger organized crime groups began growing by occupying small towns in Michoacán and Jalisco. They are on their way to control Mexico City and its points of access.



## SECURITY

### **Mexico City's Secretary of Public Security suffers an armed attack.**

The crime was financed by the *Cártel Jalisco Nueva Generación* (CJNG) with support from local criminal groups. The attack left three dead: two bodyguards and a civilian woman. This situation represents a challenge for public security institutions that have been unable to contain the growth of the power of organized crime groups. Attacks of this kind are unheard of in Mexico's capital. Violence is expected to grow in the coming months in the city.

## DEVELOPMENT

**Rise in gasoline prices.** Service stations around the country sold fuel at a rate per liter between 1.47MXN and 2.67MXN (0.064 USD and 0.12 USD) higher than the national average before the pandemic. This comes after global shocks to oil prices and President López's campaign promise to lower and stabilize gasoline costs to the public. There have also been increases in the price of services such as electricity and other essential products that have caused discomfort in various sectors in the country. Low fuel prices are a common feature of Mexican political life.

## NATURAL RESOURCES

**Farmers in the state of Guerrero State demand more public resources.** Recent protests took place in the town of Ometepec. Farmers wanted to know why they were left out from the list of beneficiaries of fertilizer subsidies. Their demands go back to 2019, and in some places, the distribution has begun. The current federal administration created SEGALMEX, an organism for subsidizing agricultural production and price guarantees. Citizens in rural areas complain about SEGALMEX due to possible corruption scandals, lags in delivering subsidies, and low-quality seeds and fertilizers.

## POWER AND AUTHORITY

### **Informal vendors block roads.**

Merchants blocked the Mexico-Puebla and Mexico-Texcoco highways in the State of Mexico. Protestors demanded permission from the government to operate again. The state is marked red (maximum risk) in the National Health Ministry's four-color "traffic light" model. Because of this, local authorities prohibit non-essential businesses from opening. The protests caused chaos on the road for several hours. The informal sector in the area is extensive; the authorities might not be fully capable of dealing with vendors that ignore health measures, which could lead to a high number of COVID19 cases in the area.

## INSIGHT

The region faces instability stemming from pressure by local businesses, the public health sector, and escalating violence. This is the most populated area in Mexico, and threats to security and political mishaps have significant consequences at the national level. The CJNG also suffered significant economic strikes when the Mexican Financial Intelligence Unit froze bank accounts linked to the group. The US Government is also pressuring the Mexican authorities to capture "El Mencho," CJNG's leader. The group has reacted with great violence and has decided to challenge the Mexican State by intimidating and attacking security and law enforcement officials.



## SECURITY

**Massacre in San Mateo del Mar, Oaxaca.** A local dispute left at least fifteen dead and twenty injured in the towns of San Mateo del Mar and Huzantlán del Río. The citizens belonged to the Huave, a group of indigenous people who call themselves Ikoots. President López attributed the event to political disputes. However, activists claim that a group of armed men that answered to the mayor were responsible for the killings. A skirmish broke out at a sanitary checkpoint during a tense period of decisions in the local indigenous assembly. The Ikoots have opposed mega-infrastructure projects in the Tehuantepec Isthmus, such as eolic farms because they insist that the government and energy companies wish to alter their way of life, community-decision-making, and their lands.

## DEVELOPMENT

**Energy investment project halted in Tuxpan, Veracruz.** Iberdrola, the Spanish energy company, announced the cancellation of a 1.2 billion USD project for building a 1,204 MW combined-cycle power plant and which would produce two thousand jobs in the area. The corporation could not reach an agreement with CFE, the state-owned energy producer, for its supply of natural gas. Additionally, President López has been publicly calling out Spanish companies about their supposed acts of corruption during the liberalization of the energy sector during previous administrations. The federal government is taking a nationalistic approach to the industry. CFE will call for tenders for the project.

## NATURAL RESOURCES

**Recurring oil spills in Tabasco.** Several communities in the state, such as Paraíso and Comalcalco, have registered high levels of pollution spewed by wells belonging to PEMEX. Some spills have happened near where the federal government builds the Dos Bocas refinery. The activities of local fishing cooperatives have been affected, putting livelihoods at risk. The health of the ecosystem has declined for decades, and PEMEX has not paid compensations for damages. Inhabitants of the area partially blocked the road between the communities of Ceiba and Bellote, to demand action by authorities.

## POWER AND AUTHORITY

**The state government of Oaxaca inspects damages after a 7.4 earthquake.** Governor Murat deployed technical teams in coordination with city and federal governments after affectations in 125 municipalities. A Disaster Declaration is in effect for 72 towns. Ten people lost their lives. The village of Crucecita was the epicenter, but the states of Chiapas, Guerrero, Mexico City, Puebla, and Veracruz also registered seismic activity. Oaxaca has been affected by strong earthquakes during the last few years. Though human lives have been spared, the lasting damage to public and private infrastructure is a challenge to local governments in many impoverished areas.

## INSIGHT

The Southern part of Mexico is in dire need of investments for economic development. Lack of local planning, low trust in public institutions, and even inadequate responses to natural disasters make success difficult for long-term projects. President López believes large-scale constructions and subsidies may be enough to address these problems. However, regional disputes, ineffectual use of resources, and historical demands might not be solved quickly. This region is where critical measurements will happen to find out if his social development strategies paid off.



## Region 6: YUCATÁN PENINSULA

### SECURITY

**The Mexican Navy implements an operation to mitigate the presence of criminal groups on the coast of Campeche.** Efforts that started in May have allowed the Navy to inspect more than 500 boats, 650 vehicles, 70 large vessels, and nearly 3,000 people. Since Operation "Probe Reinforcement" began, with the deployment of over 600 elements, zero cases of theft or pending complaints of other crimes have been reported, and 13 people have been arrested. For years, piracy attacks on vessels grew while a local market for stolen fuel expanded.

### DEVELOPMENT

**Reactivation of tourism in Cancún and the Mayan Riviera remains slow.** Extensive health measures, and restricted operations (at 30%) for hotels, restaurants, and complimentary infrastructure, are not enough to attract tourists. Quintana Roo has totaled 3,000 COVID19 cases, and more than 500 deaths, mostly in Cancún. The area obtained a "Safe Travel" seal by the World Travel and Tourism Council, and it expects July to be the month when recovery might accelerate.

### NATURAL RESOURCES

**The tropical storm season begins.** "Amanda" and "Cristobal" brought heavy rains to the region. Yucatán was heavily hit. Governor Mauricio Vila claims that the state would need nearly 4.3 billion MXN (187 million USD) to recover, after extensive damages to infrastructure and crops. This amount is almost the whole yearly budget of the FONDEN (Federal Disaster Fund).

### POWER AND AUTHORITY

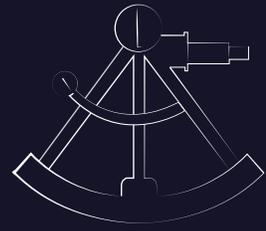
**Construction of the Mayan Train begins amidst controversies.** President López visited the region to announce the inauguration of public works for one of his favorite projects. Local activists denounce that no serious environmental impact studies were made and that the authority ignored the demands of indigenous groups. Construction stopped because of the pandemic, and lack of environmental impact reports. The federal government, through its Ministry for Natural Resources, waived the need for the studies. President López decided that FONATUR, a strategic arm for the development of touristic infrastructure, should be in charge of developing the project.

### INSIGHT

The federal administration is ignoring the effects of large-scale projects in the region. If citizens perceive failures by local and state governments to address their needs, support could grow for MORENA, despite the voices of activists and indigenous groups. The economic effects of the pandemic and natural disasters will slow down recovery for the region. The benefits of President López's projects could take years to arrive, while the population worries about the current crises.

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