

# Mexican Strategic Landscape

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Monthly report

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**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

**The school year will have a rough start.** The pandemic disrupted education worldwide. Some countries fared better than others in maintaining public health and reactivating the economy. Others are still grappling with problems that could have a larger-than-expected impact. Such is the case of schooling in Mexico. With a large young population, technological disadvantages, and an uncertain economic outlook, many students could not continue their courses. At the end of the summer, the federal government designed a plan with large Mexican media conglomerates to use television as a medium for education for the K-12 level. University students tried remote meeting platforms to carry on with their courses. The quality of access to the Internet and related equipment and teachers' capacity to impart classes in new settings will put many students at a disadvantage, especially in rural areas. Mexico could fall behind other competitive nations.

**Videoscandals galore.** With less than a year to go for national elections, many political actors' past might catch up to them. President López has talked extensively about supposed cases of corruption from past administrations (most notably related to PEMEX and the sale of an agrochemical plant). Meanwhile, videos of one of his brothers and a high-profile member of the federal government surfaced, showing them discussing "donations" to López Obrador's political movement in 2015. One video displays Pío López Obrador receiving some cash in a paper bag. The press and the opposition parties demanded the President clarify the situation. He replied that those were just donations from the Mexican people to help his efforts in transforming the country. Other yet uncovered scandals might still appear before the election, but how much voters consider them when casting their ballot is still unknown.

**The electoral calendar appears.** Mexico's National Electoral Institute (INE) has been publishing updates to critical dates for the national electoral process of 2021. However, some states are still out-of-phase regarding the alignment of their local elections to federal ones. In Coahuila (renovation of the state congress) and Hidalgo (election of municipal authorities), October 18, 2020, will be the voting day. Political parties PAN and MORENA have claimed that the health crisis will not allow elections to happen safely, and have appealed to electoral tribunals for postponing these dates. The INE has fixed the date and maintains that adequate health protocols will be in place.

## Things to observe in September 2020:

- **President López Second State of the Union Address**
- **How much does Mexico figure in speeches or events by the Democrat and Republican presidential candidates?**
- **Mexican political polling: presidential approval, economic outlook, preference for local candidates**



## Region 1: NORTHWESTERN

### SECURITY

**The murder of a young woman in Mexicali generates national shock and repudiation.** Violence against women has increased across the country, even though the pandemic does not show signs of slowing down. The case of a dead 16-year-old girl caused a commotion among the population due to its brutality. Statements made by the Baja California's Attorney General led to public anger; he tried to establish a link between the victim's death and appearance (she had multiple tattoos). Police arrested three people for their alleged involvement in the crime.

### DEVELOPMENT

**Employment rates improve in Chihuahua.** The Mexican Institute of Social Security (IMSS) reported 13,960 new formal jobs during July, placing Chihuahua as the national leader in generating employment. However, this is still lower than the number of jobs lost from March to May. The sector with the fastest recovery was the maquiladora industry (manufacturing for exporting).

### NATURAL RESOURCES

**The fishing industry is in crisis.** Fishers in Sonora and Sinaloa claim the federal government has abandoned them. Not all industry members received an invitation to participate in cross-sector working groups that deal with a US embargo on their exports in the former. American authorities declare Mexican fisheries threaten the vaquita (an endangered mammal species in the Sea of Cortés). In Sinaloa, the sector has asked the President to eliminate taxes on marine diesel so that prices drop and 3,000 jobs in the area can remain competitive.

### POWER AND AUTHORITY

**President López offers support to Yaqui tribes in Sonora.** In recent years, there has been local opposition to a gas pipeline in the South of Sonora, from Guaymas to El Oro. Part of the project contemplates crossing territory belonging to the Yaqui Peoples. During a recent visit to the state, Mr. López promised to create a Justice Commission for the Yaquis that would restore disputed land and water rights. He pledged support to the idea of modifying the route of the pipeline in their land, even if this means that the federal government will cover related costs.

## INSIGHT

Years of public violence in the region have led to related phenomena that did not appear on the public agenda. Such is the case of the displaced and the disappeared. Dedicated organizations and groups have formed to search for missing people in the area, generally in clandestine graves. The State of Sinaloa recognized that drug violence led to at least four thousand people fleeing mountainous regions. The families of victims and citizens in urban areas could feel that former and current public security strategies are not enough to deal with their overwhelming problems. Growing unrest could ensue.



## SECURITY

**The Governor of Tamaulipas announces measures to strengthen the state's security programs.** First, he created an elite group of 150 agents to combat organized crime. Later, he talked about the possible relaunch of a binational plan between Texas and Tamaulipas focused on capturing criminal targets. In recent years, the state has been working to reduce the blight of organized crime. According to the Institute for Economics and Peace, in 2015, Tamaulipas placed 29th, out of 32, in the Mexico Peace Index; it now ranks in 14th place in the Mexico Peace Index.

## DEVELOPMENT

**Poverty will increase in Nuevo León by the end of the year.** The Center for Economic Research, an institute belonging to the Autonomous University of Nuevo León, estimates that 18 percent more people (194,000) will live below the poverty-line in 2020 than last year. The causes are directly related to the paralysis of activities and reduction in wages. The situation has also impacted state finances due to lower tax collection, leading to public budget cuts.

## NATURAL RESOURCES

**The PEMEX refinery in Nuevo León generates division among the population.** Lower air quality and pollution of nearby water streams are some of the main criticisms against the industrial complex in Cadereyta, a city near Monterrey. A part of the community defends it as an essential source of employment. The conflict's backdrop is related to recent reforms to Mexico's energy sector, liberalizing it for foreign investment. President López opposes such measures and has defended the state of PEMEX's operations and finances. Members of the private sector and some activists point out that refineries' environmental and safety standards have worsened in the previous two years.

## POWER AND AUTHORITY

**Political parties contest the electoral calendar in Coahuila.** The PAN and MORENA parties appealed to the Electoral Tribunal of the Federal Judiciary regarding the process for renewing the state congress, alleging public health reasons. The National Electoral Institute (INE) set October 18, 2020, as election day in Coahuila. It announced improved sanitary practices for voting and ballot counting. With federal and municipal elections next year, parties know that control of the local congress is vital for their political projects. The pandemic has severely limited campaigning and has shifted the public's interests with possibly unexpected results on the election's results. A similar situation is taking place in the central state of Hidalgo.

## INSIGHT

The process for federal natural emergency funding remains unclear. After Hurricane Hanna made landfall in July, heavy rainfall hit Coahuila, Nuevo León, and Tamaulipas, with disastrous results. Local governments declared a state of emergency to access federal resources. After a month since the storm, the states have yet to receive support. Governors personally appealed to the President during his recent visits to the area. There are still many communities with significant damage. The economic crisis has limited the financial capacity of local authorities to deal with the problem. This part of Mexico is a crucial electoral objective (federal elections will take place in 2021). Citizens might be upset at how the President and his party deal with their most immediate needs. At the end of the month, Nuevo León and Tamaulipas's governors announced their departure from the National Governor's Conference (CONAGO), claiming that its members do not push for answers from the President on critical issues.



## Region 3: WESTERN-BAJÍO

### SECURITY

**Theft of cargo trains spikes in Guanajuato and Querétaro.** The manufacturing and export industries deal with setbacks as organized crime shifts its attention to trains passing through the area. The federal government's actions to curb huachicoleo (fuel theft from oil pipelines) resulted in criminal gangs like the Santa Rosa de Lima Cartel increasing attacks against freight trains. Last year, on average, two containers were struck weekly in the area; now, the number rose to three daily.

### DEVELOPMENT

**Six states sign a pact to reactivate tourism in the region.** Aguascalientes, Guanajuato, Jalisco, Querétaro, San Luis Potosí, and Zacatecas have devised a plan to deal with the sector's losses. These places benefit from cultural and natural charms and are common wedding destinations. The pact includes promoting road-trips, regional routes, ecoadventures, and activities that might be outdoor activities that are not risky during the pandemic. Additionally, they are considering new marketing campaigns to divulge information about local sites. The recent cancellation of regional events left many out of work. For example, the San Marcos Fair in Aguascalientes, an important three-week event that generates nearly 7 billion pesos in revenue (approximately USD 320 million), could not happen.

### NATURAL RESOURCES

**Canadian company Orla Mining gets approval for starting its "Camino Rojo" project in Zacatecas.** Investment for developing an open-pit gold mine near the town of Mazapil rounds USD 120 million. The project has been in development since 2010 and was conceived by Goldcorp, which sold it to Orla Mining in 2014. The company expects annual production of 97,000 ounces of gold. The Mexican Ministry for the Environment and Natural Resources (SEMARNAT) granted the permit after an extensive Environmental Impact Assessment.

### POWER AND AUTHORITY

**Eliza Ferguson Al-Laham is now the US Consul General in Guadalajara.** The governors of Colima, Jalisco, and Nayarit, held online meetings with Mrs. Al-Laham. She has been in the foreign service for more than twenty years, with diplomatic experience in the Middle East and Asia. Her arrival will help strengthen the relation of this Mexican region with the United States. Her designation is for three years.

## INSIGHT

This part of Mexico is grappling with problems that were common elsewhere in the country. High crime rates, environmental challenges, and political disruptions have become more evident as public officials try to take them head-on. The PAN and PRI parties have governed these states for decades. In Jalisco, support for Movimiento Ciudadano (Citizens' Movement), a political party with an affinity with social democracy, has grown and shrunk during the last decade. Enrique Alfaro, Jalisco's governor, belongs to this party. The problems in the region, accentuated by a lack of coordination with the federal government, could lead to changes in local governments' political composition. The area traditionally leans conservative, but MORENA is trying to benefit from discontent in these states.



### SECURITY

**Police dismantle 238 criminal gangs dedicated to abduction nationwide; kidnapping concentrates in Central Mexico.** Since last year, federal and local authorities have increased collaboration, leading to the liberation of nearly 900 victims and the detention of approximately 1,900 suspects around the country. Official data from the National Anti-kidnapping Coordination (CONASE) shows that 617 abductions happened between January and July of 2020, compared with 1,032 for the same period in 2019. The State of Mexico ranks first in the number of cases (107) nationally. Morelos and Mexico City appear in third and fourth place, respectively. Together, these three states account for 32 percent of kidnappings in the country.

### DEVELOPMENT

**The number of school dropouts soars in the State of Mexico.** Nearly 10,000 students have abandoned their studies during the pandemic. The State Secretary of Education, Alejandro Fernández Campillo, declared that the situation is worse for those in high school. In Mexico and other Latin American countries, this is a critical junction in education when people face many obstacles to start their university studies. Mr. Fernández stated at the beginning of the month that his administration would try to contact students who might encounter economic and technological challenges for continuing their courses. The federal government recently launched a program for transmitting classes.

### NATURAL RESOURCES

**Communities ask for inclusion in the Lake Texcoco Ecological Park Project.** A local leader of San Salvador Atenco, in the vicinity of the former lake in Mexico City, criticized the initiative for not inviting the 45 communities affected by the unfinished construction of Mexico City's New International Airport (NAICM). The current federal administration suddenly canceled the public works in 2018, alleging the project caused corruption and environmental damage. The ecological park will occupy the same space as the NAICM. Although there have been no mobilizations so far, tensions between the government and the communities could escalate if their demands are not met.

### POWER AND AUTHORITY

**The Financial Intelligence Unit of the Mexican Finance Ministry (SHCP) froze bank accounts used by the Antorcha Campesina union leaders.**

The organization is a popular, left-leaning political movement, founded in the 1970s. Among the accusations made against the group is the alleged charge of extortion fees to companies and governments to allow them to transport construction materials in Puebla and the State of Mexico. Additionally, there are suspected links between the group and the Libertad Union that point to money laundering and other crimes like robbery, kidnapping, and extortion. The financial blow that this organization received reveals the extensive opacity in which many unions in Mexico operate.

### INSIGHT

**MORENA initiatives cause division among the population.** In Mexico City, local legislators proposed that apartment owners who rent them on digital platforms such as AIRBNB should pay a differential fee. In the State of Mexico, Congress members proposed creating a new constitution; dividing Ecatepec, one of the densest municipalities in the country, in two; reducing the number of city councilors by 40 percent. The State of Mexico and Mexico City, both contiguous jurisdictions, are critical political bastions for the PRI and MORENA parties and play a vital role in deciding the national agenda. Even if not implemented successfully, radical shifts in local platforms and proposals try to signal changes for citizens generally disenchanted with politics.



## SECURITY

**Community self-defense groups grow in Veracruz; Governor denies it.** A model of informal organizations and vigilante associations has spread to Veracruz. For example, in Michoacán and Jalisco, some try to justify their existence to counter violence against their small towns and remote communities. Some citizens applaud their claims to self-defense, while critics argue that these are only fronts for larger criminal organizations. In Veracruz, the Zetas Cartel's splinter groups calling themselves "Community Police" have recently figured in the news due to violent acts. Governor Cuitláhuac García insists on calling them unlawful associations.

## DEVELOPMENT

**Oaxaca's State Congress approves "Anti-Junk Food" Law.** Members of the MORENA party pushed for legislation that would ban selling high-calorie food and beverages to minors. The state has the highest rate of childhood obesity. Political activists and the private sector reacted strongly in Oaxaca and the rest of the country. Members of other state congresses said they would consider similar initiatives.

## NATURAL RESOURCES

**Federal judge orders the restitution of water rights to the communities of San Pedro and San Pablo Ayutla, Oaxaca.** Armed groups near the towns in the state's Northern Mountains left the Mixe indigenous communities without access to water since 2017. The fighting left local water infrastructure destroyed, and citizens demanded repairs for years. Human rights groups, political activists, and even celebrities in the rest of the country were involved in calling attention to the problem in San Pedro and San Pablo. Last year, during one of President López's visits to the area, local inhabitants demanded a solution. The recent ruling forces the state government to rebuild and restore connections to a nearby spring called Jënaanyëj.

## POWER AND AUTHORITY

**Public school teachers oppose televised education during the pandemic.** In Oaxaca, members of SNTE (National Workers in Education Union) protested the model designed by the federal government to educate using television broadcasts. The teachers claim that the Mexican Ministry of Public Education (SEP) did not consider their views. They expressed that they could help families of students achieve their education goals in other ways. In the state, 4 in 10 families do not have a television or means for buying one.

## INSIGHT

The President's rhetoric relies heavily on a message of helping the poor. The results of the 2018 national election prove that it connected with citizens, especially in underdeveloped places. Converting campaign promises into reality is difficult because of the compounded challenges of public insecurity, lack of investment, and even hydro-politics. The problems are structural, yet demand immediate action.



## Region 6: YUCATÁN PENINSULA

### SECURITY

**Piracy threatens investments in the Gulf of Campeche.** Members of the business community in Campeche recognize the actions by the Mexican Navy to ward off attacks and fuel theft by pirates in the area. However, they believe that further efforts are needed by security forces to ensure safer transit routes for commerce. Recent operations for protecting oil-infrastructure in the Campeche Sound displaced pirates to waters near Tabasco and Veracruz. Crimes in other places can still influence investors' confidence in Campeche.

### DEVELOPMENT

**Cancún International Airport reactivates service.** The airport is one of Mexico's busiest. It is an important hub for tourism, with most international routes linking it with the United States and Europe. At the end of the month, nearly 200 flights arrived and departed from this airport in a single day. This could be a clue about the potential return to the normalcy of tourist activity in the area. For example, Grupo Xcaret, a company that owns hotels and eco-adventure parks, received the "Traveler's Choice Award" by Trip Advisor. These attractions generate large amounts of direct and indirect jobs in the region. Still, it depends on a well-functioning air hub.

### NATURAL RESOURCES

**The Mexican Navy cleans-up 13 thousand tons of sargassum in Quintana Roo's beaches.** Large amounts of seaweed washed up on seven municipalities' shores in the state since the month of May. This natural occurrence is not new, but its effects have intensified in the previous years. Storms and pollution are just some of the possible causes for the sudden increment of sargassum. When it hits land, it suffers from accelerated rot, releasing gases that could be harmful to humans and other animal species.

### POWER AND AUTHORITY

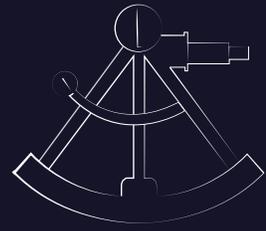
**Drivers of ride-hailing apps demand protection from threats in Quintana Roo.** The police registered at least one hundred complaints by drivers of platforms, like UBER, against taxi-cab union members. The company has had problems implementing its service model in the state due to political obstacles, opposition from unions, and even violence against its drivers. The leader of the "Andrés Quintana Roo" union declared it is up to local transport authorities to decide what to do about what he calls "unfair competition that puts 20 thousand families at risk of losing their sustenance".

### INSIGHT

The region has been slow to respond to sudden changes brought by the pandemic. It has developed world-class infrastructure for tourism and logistics, but its other industries are still vulnerable to external shocks. The Mayan Train is an example of the federal government trying to leverage tourism to spur different economic activities. However, it could come at a cost: damaging the very nature that makes the Peninsula so attractive.

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