

Mexican Strategic Landscape

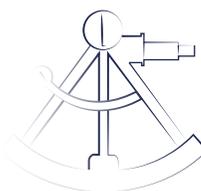
Monthly report

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THE INSTITUTE

FOR STRATEGY AND DEVELOPMENT RESEARCH





- NORTHWESTERN
- NORTHEASTERN
- WESTERN-BAJÍO
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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

Division grows between local and federal governments. The "Federalist Alliance", a group of ten governors that oppose President López's management of the health and economic crisis, is consolidating. Former politicians are also joining the group. With the pending approval of the national budget, newer claims of fiscal injustice appear. At the same time, political polarization could exacerbate as the electoral process speeds up.

President López reemphasizes his proposal for a public referendum on judging former Mexican presidents. The president wanted to ask the Mexican people if they agree to bring five former presidents to justice because of supposed crimes committed by them during their administrations. On October 2, the Mexican Supreme Court of Justice declared the referendum constitutional and slightly rephrased the question to be asked to voters. The issue will be on the ballots next year. Citizens and activists have called this a ruse by the president to distract from more important matters. During his campaign, he stated that he would submit a proposal for voters at the halfway point of his period as president to review or revoke his mandate.

The water crisis in Chihuahua raises awareness about hydropolitics in Mexico. Farmers and the Governor of Chihuahua, Javier Corral, have denounced how Mexico is complying with the 1944 Water Treaty Between Mexico and the United States. The agreement stipulates how water is shared along the border, with quotas for transfers and delivery conditions. Currently, the federal government plans to take water from the La Boquilla dam near the city of Camargo to honor the binational treaty. Local producers claim the amounts, timing, and decision about sourcing the water from this dam are incorrect. Protests turned violent, and the National Guard was deployed to the area; a person has already lost his life during the demonstrations.

Things to watch in October 2020:

- **The results of local elections in Coahuila and Hidalgo**
- **The further consolidation of the "Federalist Alliance"**
- **Negotiations and approval of the federal budget for FY2021.**



Region 1: NORTHWESTERN

SECURITY

Three cartels now dispute Chihuahua. Cartel Jalisco Nueva Generación (CJNG) is expanding into territory previously held exclusively by the Sinaloa and Juárez cartels. Different cells of each group operate throughout the state, the largest in the country. Control of the northern border is highly sought after because criminal activities can diversify or integrate as needed.

DEVELOPMENT

Baja California creates its own Tax Administration Service (SAT). This organization's objective will be to increase the collection of federal, state, and municipal taxes and those related to border customs duties. Some have opposed the measure claiming the local Congress approved it without considering other entities' opinions. In addition to this, some business people and lawyers believe that this body could be used to persecute political opponents to Governor Bonilla's administration. Mr. Bonilla belongs to MORENA, Mexico's ruling party.

NATURAL RESOURCES

Conflict over managing the delivery of water to the USA continues in Chihuahua. At the beginning of the month, the most massive protest occurred when farmers spoke out against water extraction from the La Boquilla dam in Camargo. When the National Guard arrived, the situation quickly escalated, resulting in the death of a protester. The Governor of Chihuahua condemned the case, and he has received the citizens' support. The federal government decided to freeze the bank accounts of local agricultural leaders. The president claimed there were political motives behind the protests. Farmers say they do not oppose the Mexico-US water treaty, in place since 1944; however, they express that authorities are mismanaging it during adverse dry-season conditions.

POWER AND AUTHORITY

The Governor of Baja California designates members for the Founding Council for the Municipality of San Quintín. In February of 2020, the local Congress approved a measure for creating the state's sixth municipality. San Quintín will comprise part of the territory formerly belonging to Ensenada. It will border Baja California Sur, and it will have access to the Pacific Ocean and the Sea of Cortes. The Founding Committee, if also approved by the state Congress, will be in charge of the local administration until the mayor and city councilors are elected in 2024.

INSIGHT

The calls for a better exercise of federalism grow. Chihuahua was the meeting place for a group of governors that demand changes in how the federal government treats local ones. The group became known as the "Federalist Alliance" and includes Chihuahua, Jalisco, Nuevo León, and Tamaulipas. Protests over water, public security, and how federal taxes are collected and spent were the summit's backdrop. President López has tried to discredit the Alliance by calling them conservatives opposed to his "successful transformation of the country." The claims made by these governors could gain support among citizens and other public figures in the rest of the country.



SECURITY

Authorities convicted a member of the Zeta's for the Topo Chico prison massacre. Juan Pedro Saldívar Farías, also known as "Z-27", was held responsible for the event where 48 inmates of the state prison in Nuevo León lost their lives four years ago. The conflict originated from a dispute between Z-27 and Jorge Iván Hernández, known as "El Credo," which spiraled out of control. Mr. Saldívar and other six people received up to 1,200 years in prison for participating in the massacre. This incident revealed the serious self-control problem that exists in many Mexican jails.



DEVELOPMENT

Reactivation gives hope to saving jobs in Monterrey. The Government of Nuevo León approved more businesses operating after indicators such as the transmission rates of COVID19, and occupation rates in local hospitals, improved. Cinemas, casinos, and even gyms will open to the public, helping maintain 130 thousand jobs. Despite this measure, the government asked the population to be cautious since a new outbreak could happen anytime.



NATURAL RESOURCES

Chinese oil company invests in Mexico. China Offshore Oil Corporation (CNOOC) considers a project of around USD 200 million for drilling in Tamaulipas. The company would explore an oil well, known as Ameyali-1EXP, in the Cinturón Plegado Perdido area of the Gulf of Mexico. This project is the first for CNOOC in Mexico, and operations could start in late 2020 or early 2021.



POWER AND AUTHORITY

The decentralization of the Customs Office will continue. President López recently stated that Nuevo Laredo, Tamaulipas, will be the Customs Office's future address. The proposal's logic could be the importance of commercial activity in the region (Nuevo Laredo is Mexico's busiest port in the northern border). However, some question how useful such a move could be. Other government ministries are also moving, for example, the Ministry of Energy to Tabasco (the president's home state) or the Ministry of Education to Puebla.

INSIGHT

Political discrepancies could halt the economic recovery of the region. The northeast of Mexico is one of the most industrialized in the country. Additionally, a large border with the United States, an abundance of land and oil resources, and having a coast in the Gulf of Mexico makes it a prime place for international trade and investment. Along with the Mexican Northwest, some governors' political opposition to the federal administration could influence how many public resources their states receive. The competitiveness of local economies in this region could help in a faster recovery, but instability in some sectors or political division may stand in the way.



Region 3: WESTERN-BAJÍO

SECURITY

The number of truck cargo robberies has increased in Michoacán. With an extensive coast to the Pacific Ocean, the state has some of the most dangerous roads in the country, placed behind Puebla. According to the National Trucking Chamber (CANACAR), more than 600 thefts to transport units happened in Michoacán during the first half of the year alone, 90 percent of which were violent. The most dangerous roads in the state are those linking Maravatío and Zapotlanejo, and the one between Pátzcuaro, Uruapan, and the port of Lázaro Cárdenas.

DEVELOPMENT

Employers contemplate general layoffs in Aguascalientes. ManpowerGroup did a recent survey of Employment Expectations in the region. In Aguascalientes, the state's capital, as much as 18 percent of employers expressed that their companies may lay off personnel in the fourth quarter of 2020. Other executives in Colima, and Nayarit, shared the feeling of concern. In contrast, only 3 percent of those surveyed consider hiring. The agricultural, mining, and fishing sectors expect the fastest recovery in the region.

NATURAL RESOURCES

Water treatment infrastructure projects require better local planning. Federal and state resources in Michoacán have gone unused because executive plans, and their technical aspects, have not been correctly integrated. Less than half of the wastewaters are treated in the state. Additionally, fifteen treatment plants halted operations recently for lack of resources and the rest work at a reduced capacity (30 percent). Not all users pay their fees, and local authorities do not have adequate resources to cover operating costs.

POWER AND AUTHORITY

President López inaugurates the third line of Guadalajara's Light Rail System. The project's construction began in 2014 and joined the city centers of Zapopan, Guadalajara, and Tlaquepaque. Its length is 21.5 km (approx. 13.35 mi). During the president's visit to Jalisco, he committed to support construction for a fourth line of similar dimensions in two years, linking the system with Tlajomulco.

INSIGHT

The manufacturing, mining, and export industries face logistical challenges. Recently, members of teacher unions in Michoacán blocked rail lines for several days, and growing violence in state highways has made economic recovery harder. The health crisis led to a temporal drop in the number of cargo theft events and public protests. The number of cases may grow again even as the pandemic has not plateaued in the country.



SECURITY

Families still seek justice for people who disappeared in the 1970s. The Association of Relatives of the Detained, Disappeared and Victims of Human Rights Violation in Mexico (AFADEM) asked President López to clarify more than 450 pending cases in the region of Atoyac, Guerrero. Activists and families claim the Mexican Army as involved in arrests and forced disappearances decades ago. Mr. López has sought to distance himself from his predecessors' security policies and problems, going as far as denouncing them. However, some activists state that his administration does not show the political will necessary to solve these and other cases.

DEVELOPMENT

Businesses ask to halt the ban on junk food in Mexico City. The food and beverage industry demands an intersectoral group to meet with policymakers and specialists to reach an agreement that improves consumers' health, many of them children, that does not damage their value chain. In states such as Oaxaca and Tabasco, legislators belonging to MORENA already confirmed the ban. The prohibition on junk food, the industry claims, would affect producers, distributors, and family-owned stores.

NATURAL RESOURCES

Canadian Mine closed in Guerrero. Communal landowners in Carrizalillo closed down the mine known as "Los Filos" due to the inability to reach an agreement with the Canadian company Equinox Gold. Members of the community demanded getting a new deal with the company to exploit minerals in their lands. The company's Vice president for Mexico announced that there would be no negotiations until the protesters removed the camp located outside the mine.

POWER AND AUTHORITY

The number of public demonstrations grows as reactivation continues in Mexico City. The Mexican Ministry of the Interior (SEGOB) stated in a recent report that from May to July of 2020, protests rose by nearly 70 percent. This happened as the capital city relaxed confinement measures. In the coming months, political activity in the streets could resume as people and groups demand solutions to their economic woes. Members of the opposition to the federal government could also try to hold massive public protests.

INSIGHT

Parents of missing Ayotzinapa students continue to demand justice. On the sixth anniversary of the disappearance of 43 students in Iguala, Guerrero, President López issued a public apology on behalf of the State to families of those missing. Mr. López promised to continue with the investigations until justice reaches those responsible for the disappearance.

Days later, families of those missing demonstrated in front of the Attorney General's Office to demand the arrest of the Criminal Investigation Agency's former director, Tomás Zerón de Lucio, currently fleeing from justice. Authorities have convicted almost 80 people connected to the crime; however, explanations for the student's disappearance or final whereabouts have not been clarified. Public pressure is mounting on local and national authorities to solve similar cases all around Mexico.



SECURITY

The Mexican Navy will now supervise the ports of Coatzacoalcos, Tuxpan, and Veracruz. The governor of Veracruz, Cuitláhuac García, expressed that Navy officials will now have an expanded presence in the three ports. The support of the Mexican Navy will also extend to the limits of the state with San Luis Potosí and Tamaulipas. The length of the coast of Veracruz with the Gulf of Mexico is approximately 750 km (466 mi).

DEVELOPMENT

More than 30,000 homeowners in Chiapas do not have their property papers in order. For nearly 20 years, families have tried to sort out deeds to their homes without success. Problems with land property rights, limited resources, and faulty public management have made the process difficult. Local public registries in the communities of Comitán, Tapachula, and Tuxtla Gutiérrez, among others, could help at least a few thousand of these homeowners. The institutional backlog in records affects social development in the region.

NATURAL RESOURCES

Inhabitants of San Miguel Chimalapa oppose mining permits for Canadian company Minaurum Gold. Members of the community say they will defend their territory from all kinds of exploitation. Authorities are reviewing four requests for mining concessions on the limits between Chiapas and Oaxaca. More than 100 thousand hectares could be available for prospecting. The communal lands in San Miguel Chamalapa have an area of 130 thousand hectares. Even if granted a permit, companies still need an Environmental Impact Assessment before starting any operation. President López has stated that his administration would not allow companies to damage the environment and hurt communities' rights.

POWER AND AUTHORITY

Current mayors in Veracruz cannot stand for reelection. A reform made to the State's Electoral Code will only allow public officials elected beginning in 2021 to benefit from consecutive processes. Around Mexico, many states are still changing their laws to enable local congresspeople and mayors to hold office for two successive terms.

INSIGHT

Local demands fall on presidential ears. People in small communities in the region believe in the president's word concerning how justice and development should occur. Mr. López's rhetoric is one that appeals to citizens that feel estranged from mainstream politics. Sometimes problems escape federal jurisdiction and should be solved at other levels of government. However, inhabitants of more disadvantaged communities might consider immediate authorities incompetent in solving challenges that have affected them for decades. Irresponsible companies could also be blamed for environmental and economic problems and should beware of sociopolitical conditions in their vicinity.



Region 6: YUCATÁN PENINSULA

SECURITY

Quintana Roo faces violence and sexual abuse against women and children. The number of complaints made to authorities in cases related to these crimes rose to 3,600, increasing nearly 25 percent compared to the previous month. Solidaridad municipality, where Playa del Carmen is located, represents more than 12 percent of the complaints. Local authorities are working on campaigns, programs for accompanying victims during their path for justice, and education to eradicate domestic violence.

DEVELOPMENT

Cancun International Airport has the highest number of flights since the beginning of the pandemic. This destination is one of the most important for national and international tourism in Mexico. Flights from Canada, Europe, and the US, are becoming more common: over 230 daily. Health measures have been put in place to assure travelers' safety and the region's economic recovery.

NATURAL RESOURCES

Public investment is coming to the Chicbul-Ciudad del Carmen aqueduct. Campeche's state government announced that it would use federal resources to renovate infrastructure. This project involves more than MXN 23.5 million (USD 1.07 million), after previous ones amounting to MXN 38 million (USD 1.73 million) in the last two years. The renovation benefits 150 thousand people in the area.

POWER AND AUTHORITY

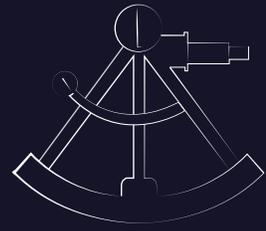
The National Fund for Tourism Promotion (FONATUR), in charge of building the Mayan Train, could ask for additional funds to finish the project. Approximately 43 percent of the tracks (total length nears 1,554 km or 966 mi) will require electrification. The General Director of FONATUR, Rogelio Jiménez Pons, stated that MXN 36 billion (USD 1.64 billion) were already budgeted for the project in 2021. Meeting the electrification requirements would need a more considerable amount.

INSIGHT

Resources spent by the federal government on large projects may leave local needs unattended. The Mexican Congress is analyzing the Executive's proposed FY2021 national budget. Cities and states could face 6 percent cuts to their federal "participations" (earmarked funds). With new environmental, health, and economic problems, local governments are the most vulnerable. The possible trickle-down effects of the Mayan Train could take years to arrive. Meanwhile, unrest at neighboring communities to the project could still happen.

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