

Mexican Strategic Landscape

Monthly report

OCTOBER 2020



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

The "Federalist Alliance" continues its opposition to the national government. Ten governors belonging to different political parties (except MORENA) are pushing for a renegotiation of the fiscal relationship between state and federal governments. They proposed holding referenda among their respective constituencies to let citizens decide if these terms are to be modified or not. The governors claim they are taking a page out of President López's book. Mr. López and his party organized an impromptu referendum nationwide to decide the New Mexico City Airport's (NAICM) fate in 2018.

The Mexican Congress grants the Navy control of all ports in the country. Lawmakers passed reforms so that this branch of the armed forces can oversee, manage, and control maritime commerce in ports. Under the National Maritime Authority's jurisdiction, some of the efforts are: supervising the merchant marine, certifying vessels, dredging waterways, designating harbormasters, issuing licenses and permits, regulating concessions. Activists and politicians have opposed the reform claiming it militarizes the ports and would be detrimental to development and institutional trust.

Congress approves the elimination of 109 federal trusts. After heated arguments and considerable opposition, lawmakers confirmed the president's initiative to abolish the most significant number of government trusts to date. According to Mr. López and MORENA, this will bring about savings of more than 68.4 billion Mexican pesos (US\$3.2 billion). Among the funds lost were some dedicated to science and technology (CONACYT), disaster relief (FONDEN), culture, and cinema production (FIDECINE). The president claimed these were sources of corruption and inefficient spending. Resources now, according to MORENA, will be transferred directly to beneficiaries without politicization or intermediaries.

Things to watch in October 2020:

- **The developments in the case surrounding former Secretary of Defense General Salvador Cienfuegos, detained by American authorities in California**
- **Reactions in Mexico by the government and interest groups to the results of the American election**
- **The ongoing debate between state and federal governments regarding the national budget and political differences**
- **The start of the electoral calendar in Mexico.**



Region 1: NORTHWESTERN

SECURITY

Criminal leaders transferred to Chihuahua for a hearing.

René Gerardo, known as "El 300", and Leonel Salgueiro, known as "El Cuate," are former leaders of criminal groups in Ciudad Juárez. The first one belongs to the Aztecas organization and the latter to the Sinaloa Cartel arm. They are considered responsible for Chihuahua's growing violence and attacks on the police in recent years. They were detained in 2018 and are considered very dangerous. A judge ordered new hearings in the state capital after technology failed during remote court sessions.

DEVELOPMENT

Interurban train planned in Baja California by the state government. The project will connect Tijuana and Tecate to reduce travel times and costs for citizens. The plan calls for using existing rail lines, currently only transited by cargo trains, for passenger transport in the next two years.. It would span approximately 50 km (30 miles). Despite economic difficulties expected for the coming years, local authorities said that the project would not impose debt burdens. The government wishes to execute the plan through an association with private businesses for the 2.8 billion Mexican pesos (US\$132 million) investment.

NATURAL RESOURCES

The Federal Electricity Commission (CFE) and the Ministry of Energy consider a nuclear power plant for Baja California. Expanding the current atomic energy production in the country could be an undertaking of the current administration. In a recent hearing in the Senate, Energy Secretary Rocio Nahle expressed that the proposal is in the study stage and that this alternative energy source is safe and effective. Currently, only one nuclear plant operates in Mexico, located in Laguna Verde, Veracruz, with a 1640 MW capacity. Instead, the business sector calls for investment in wind and photovoltaic farms in the region.

POWER AND AUTHORITY

Tijuana mayor, Arturo González, takes a leave of absence to compete in next year's electoral race.

Mr. González is the city's first left-wing mayor and is interested in the governor's seat. Despite belonging to the same political party (MORENA), he has confronted current Governor Jaime Bonilla about extending his term in office. Citizens elected Mr. Bonilla for two years, instead of the usual six, so that local and federal elections align. He contested the limited period, but the Supreme Court sided with electoral authorities. Internal disputes could affect MORENA's chances of winning the election.

INSIGHT

Water conflict continues in Chihuahua for late 2020. Governor Javier Corral announced that the regular irrigation cycle might not be completed in the state. Confrontations took place between members of the National Guard and local farmers over the delivery of water to the United States, as part of a binational treaty. Members of the agricultural sector protested the Federal Water Commission's (CONAGUA) stance on banning irrigation of small crops and plots of land with irregular water intakes. Failure to meet water quotas and delivery times between countries and territories disturbs inter-state politics in northern Mexico.



Region 2: NORTHEASTERN

SECURITY

Saltillo is among the safest cities in the country. The city in the state of Coahuila emerged as the safest one in the state and one of the top ten in the country, according to the National Survey of Urban Public Safety (ENSU) published by the National Institute of Statistics, Geography and Informatics (INEGI). Data also indicates that the Saltillo Police Department is considered one of the most effective and the fifth most reliable in the country. Across Mexico, activists and public security specialists call for strengthening local police corporations.

DEVELOPMENT

There are new offers to buy AHMSA. Altos Hornos de México (AHMSA), the largest steel company in Mexico, located in Monclova, Coahuila, has attracted the attention of two companies: Tubacero, a Mexican company, and another Chinese one. In recent years, AHMSA has gone through a series of difficulties since the arrest of its CEO, its bankruptcy, and lack of government support. The crisis had a substantial impact on the local and regional economy. Business people in Coahuila have requested the federal government's intervention to save the jobs in the sector.

NATURAL RESOURCES

A new pipeline will supply gas to the Bajío and Western Mexico. The Santa Fe Gas Natural company will import gas from Waha, Texas, through a pipeline connecting Villa de Reyes, San Luis Potosí, Aguascalientes, and Guadalajara. The project will supply gas to plants that generate electricity and will serve other metallurgical, chemical, and automotive companies in the region. The Bajío region currently faces a gas deficit.

POWER AND AUTHORITY

PRI wins elections in Coahuila.

The Institutional Revolutionary Party (PRI) won all the disputed electoral districts for the state congress (sixteen in total). It comes as a decisive blow for MORENA, the national ruling party. At the local level, some party members attributed the defeat to possible internal betrayals and divisions. Others see it as a warning about not relying solely on President López's approval to advance public agendas.

INSIGHT

Northeastern governments suffer collateral damage due to the water conflict. The conflict over water delivery that Chihuahua maintains with the federal government has affected other northeastern states. In Tamaulipas, residents observed a reduction of more than 50 percent of water in the lower part of the Rio Grande. In Nuevo León, the announcement that water would be transferred from the Cuchillo Dam to the United States provoked some public officials' anger. For example, a senator threatened to stop personnel from CONAGUA operating the dam. In the region, the water has always been a critical issue, especially during the Summer, where there are constant fears of not covering the demand of citizens, farmers, and commerce.



Region 3: WESTERN-BAJÍO

SECURITY

Disappearances in the region are still unresolved. One out of every four missing persons from 2018 to date disappeared in Jalisco. The number amounts to nearly 14 thousand in the country during this period. A representative of the Office of the United Nations High Commissioner for Human Rights (OHCHR) in Mexico stated that Jalisco must work on processes and fast-response capabilities to deal with the situation. This task is pending for the whole region. In Salvatierra, Guanajuato, a search group found a mass grave with 59 bodies, mostly young men and about a dozen women. Parties primarily led by the mothers of those missing have driven efforts to recover remains in clandestine sites around the country.

DEVELOPMENT

Commerce and industry are reeling from blocked railways in Michoacán. Teachers have blocked the flow of trains in the state for a whole month. Local unions around Uruapan claim they are missing past wages. The port of Lázaro Cárdenas, a strategic point for the automotive and steel manufacturers, is the most affected. Other industrial and export clusters in the north also face disruptions. The National Confederation of Industrial Chambers (CONCAMIN) reported that the toll on businesses is 22 billion Mexican pesos (US\$1.03 billion).

NATURAL RESOURCES

A community near Manzanillo, Colima, continues to oppose mining in their lands. Residents and communal-land owners in Canoas claim that exploiting iron ore in the locality would be devastating for the environment. The project, called Rufus 5, belongs to Hematite, a Canadian company. Business representatives are still waiting for a resolution by the Ministry for the Environment and Natural Resources (SEMARNAT) to start operations. Recently, the company said its sustainability practices exceed the legal norm. Citizens are worried about possible impacts on tree-cover and local water supplies.

POWER AND AUTHORITY

Federal superdelegates climb onto the election wagon in Colima, Nayarit, and Querétaro.

These public officials joined other six state delegates in leaving their post to participate in upcoming local elections, including gubernatorial races. President López created these figures for helping with the distribution of welfare programs and representation of the federal government in local affairs. Critics claim this would circumvent governors. During the designation process, the president stated that their offices and representatives would be free of political interests.

INSIGHT

Challenges to development and public security abound. Lack of coordination between state and federal governments has only aggravated the concerns of local officials. Escalating violence and the inability to deal with pressure groups leaves governors and their parties in a tight spot. The 2021 elections are on the line, and citizens receive competing narratives about responsibility and solutions to their problems.



SECURITY

In Puebla, cases of fuel theft decrease while other crimes rise. Criminal activity has started to shift since 2018, with more public attention and resources devoted to dealing with fuel theft in places like Tecamachalco. Other offenses, however, such as homicides, robbery and assault, and home burglaries have increased. The situation has escalated rapidly, provoking the Governor of Puebla to recently announce that he would take control of security in some municipalities. The diversification of activities by criminal groups is not exclusive to this area of Mexico.

DEVELOPMENT

A municipal government tries to shut-down the Audi plant in Puebla. Local authorities argued that the assembly plant in San José Chiapa owed back taxes and did not comply with civil protection permits. These actions are unprecedented. The company has operated for four years, and it has created at least four thousand direct jobs in Puebla. Audi representatives and members of the government held a meeting in the middle of the month. They promised to review the required documentation and indicated they were willing to be audited by the government.

NATURAL RESOURCES

A local community opposes a hydroelectric plant in Puebla.

A project to install a hydroelectric plant in the municipality of Ahuacatlá by the company Deselec 1-Comexhidro has generated opposition from the Tiyat Tlali Council residents and the Totonaco Regional Council. Members of these communities have denounced threats made by the company to local authorities for having revoked their construction and land permits at the beginning of the year. Residents issued a statement saying they do not want the installation and hope that the Federal Government will respect their rights. The situation sets a bad precedent for the government. There is mistrust of some investors and entrepreneurs concerning the lack of legal guarantees for other projects.

POWER AND AUTHORITY

UPOEG calls for civil disobedience in Guerrero.

The Union of Peoples and Organizations of the State of Guerrero State (UPOEG) is inviting communities that to protest in 2021 if their rights to self-organization are not respected. They declare not to oppose the government; however, they point out the need to make changes to ensure peace in their communities. In 2019, some UPOEG communal police members were arrested by the state forces for carrying weapons. Authorities only allow community police operation in localities where the indigenous people represent at least 50 percent of the population. The situation has generated a debate in Guerrero about the rights to self-defense.

INSIGHT

Mayoral elections in Hidalgo could be a preview of federal ones in 2021. MORENA has contested the October election results in Hidalgo, decrying irregularities in the process such as vote-buying and intimidation. The PRI party won in 32 out of 84 places, including Pachuca, the state capital. In contrast, MORENA and the PAN parties came in second place with nine victories each. Internal divisions and citizen dissatisfaction with MORENA, coupled with the PRI's robust political machinery, could explain the results.



SECURITY

Pirates target fishing boats on the coast of Veracruz. Fishers lost their belongings, their catch, and fuel in an assault. The crime took place in the southern part of Veracruz, approximately 20 miles from the coast. The Mexican Navy has been dealing with piracy in the Gulf of Mexico with increased operations since 2019. According to the Labor Secretary of the Merchant Marine Union, incidents fell from 100 yearly by more than half during 2020.

DEVELOPMENT

President López says Mayan Train will be ready by 2023. On a recent trip to Chiapas, Mr. López stated he would personally supervise the project in each of its five tracks. The project could face financial strains as more resources are needed in other states to deal with the pandemic. Environmental and political groups oppose its construction. Bad weather has also been an obstacle. Record-breaking rains battered Veracruz and Tabasco during the month. Money will be needed for reconstruction, as storms flooded homes, highways, and the Dos Bocas refinery.

NATURAL RESOURCES

Tapachula and Puerto Chiapas bet on industrial development. Members of the business community in Chiapas' most prominent border city are working on regional development plans. Their objective is to accelerate industrial capabilities in the area. An ethanol plant, storage facilities in the port, energy production alternatives, and a marine gasoduct (linking it to Salina Cruz, Oaxaca) are its main elements. The project could have state and federal backing and might start sometime in the next two years.

POWER AND AUTHORITY

Tabasco's state government uses "Bludgeon Law" against protestors. The local congress approved a bill in 2019, targeting groups that block roads or interrupt public works demanding payments or benefits to the detriment of a third party's property. Penalties can reach twenty years of jail time. Citizens infamously call it "Ley Garrote" (Spanish for club or bludgeon). During October, heavy rains caused significant flooding in the state. The local government conducts inspections and surveys to assess the damage, and it began to distribute economic aid (10 thousand pesos or US\$470 for each affected family). Still, citizens demanded more resources and faster response from the authorities, taking some roads in the capital and other localities. The government deployed anti-riot squads to liberate street flow.

INSIGHT

National objectives slowed by bad weather. President López promised fast economic and social development for the Mexican South. His response came in the form of welfare programs and large-scale projects. This year's hurricane season has put both to the test. After the sudden disappearance of federal disaster funding after accusations of corruption made by the president, economic aid is now distributed directly to those in need, instead of trusts for infrastructure or relief programs. Gulf storms, ever more intense and periodic, make reconstruction efforts difficult.



Region 6: YUCATÁN PENINSULA



SECURITY

The Mexican Navy detained a ship with illegal fuel cargo in Campeche. Operations by the armed forces for supervision and surveillance underway in Campeche's Sound led them to discover a vessel called the San Nicolás carrying approximately 36 thousand liters of diesel (226 bbl) in the Port of Isla del Carmen. The ARM Guanajuato (PO-153), a Durango-class oceanic patrol vessel, detected the ship and proceeded to inspect it. The crew did not provide documentation for her cargo and could now face charges of illegal fuel possession. The Mexican Navy has expanded its operations against piracy and diesel theft in the Gulf of Mexico in the current year.



DEVELOPMENT

Mérida plans for a new airport. Mauricio Vila, governor of Yucatán, recently declared that discussions between the Ministry of Communications and Transport (SCT) and investors took place concerning a new airport for the state's capital. Authorities are still pondering the exact location of the new hub. The recent urban sprawl has already absorbed sites suggested in previous plans. The investment could be approximately 10 billion Mexican pesos (US\$466 million).



NATURAL RESOURCES

Yucatán declares a state of emergency after storms. Hurricane Zeta created damage in a third of Yucatan's municipalities. At least 384 thousand inhabitants were affected. Other storms reached the region during the month, such as Gamma and Delta. Federal aid and the declaration of emergency should consider the compounded effects of such disasters.



POWER AND AUTHORITY

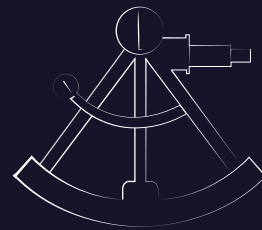
A presidential decree allows citizens unrestricted access to beaches. The General Law on National Assets (Ley General de Bienes Nacionales) will fine seafront-property owners if they do not provide access to the water. Some see this as an act of revindication after hotels, restaurants, and other businesses claim to have private and exclusive waterfronts. In Mexico, the government grants concessions for beaches; however, a strip of land twenty meters wide (65 feet) contiguous to each shore's water is considered a federal maritime zone. Seventeen Mexican states have a coast. The reform of the law ensures that anyone can visit or pass through such spaces. The tourism industry opposes the law, claiming it affects private properties.

INSIGHT

The tourism industry is still fighting for survival. The effects of recent storms, ensuing reconstruction, the pandemic, and changes to laws that allow access to the federal maritime zone, make for a problematic prospect. Despite being one of Mexico's most important economic activities, assistance for tourism has been relegated during the pandemic.


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