

Mexican Strategic Landscape

Monthly report

MARCH 2021



THE INSTITUTE

FOR STRATEGY AND DEVELOPMENT RESEARCH





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**



- 1. Electricity reform suspended, judge under investigation.** The electricity industry reform approved by Congress caused annoyance in the national and international private sector because it limits competition and discourages the production of clean energy such as solar and wind. After approval, various companies appealed, and a judge decided to suspend the reform indefinitely. This caused the president's annoyance, who asked to investigate the judge. Attacks on judges represent a direct threat to the judicial branch autonomy and independence.
- 2. The new tasks of the Armed Forces.** The 3 most ambitious projects of the AMLO administration will be managed by the Armed Forces. The Mayan Train will belong to SEDENA, who will obtain profits from passenger fees to pay for the force's retirement funds. The Istmo of Tehuantepec Corridor will be managed by SEMAR in co-ownership with 4 southern states. The Felipe Angeles Airport will not only be built but also managed by SEDENA, which will also obtain economic benefits from its operation. Without civil oversight and adequate accountability, the participation of the armed forces in strategic infrastructure projects could represent a risk.
- 3. Government recognizes excess deaths from Covid.** Figures published by the Secretary of Health reveal that the death toll from COVID could be higher than the official figures reported until February 2021 which were around 200,000 deaths. The report reveals that more than 300,000 Mexicans have died in the past year, which puts Mexico in second place with the highest mortality after the United States. The figures reveal the Federal Government's poor management of the health crisis and the need to act preemptively to avoid a new wave of infections that could affect the vaccination campaign progress.

➤➤ THINGS TO OBSERVE IN APRIL 2021

- Attacks and disqualification of the National Electoral Institute (INE) by political actors.
- Worsening of the drought in several states and conflicts over water use.
- Lithium nationalization bill in the Senate.
- Discussion of hydrocarbon reform law.

REGION 1: NORTHWESTERN

FOR STRATEGY AND DEVELOPMENT RESEARCH



SECURITY

Major fentanyl producer arrested in Sinaloa

José N known as “Che” was arrested in the city of Culiacan in Sinaloa. He was wanted by the American authorities for being one of the main fentanyl producers of the Sinaloa Cartel. This substance has been linked to the increase in overdoses that have occurred in the United States in recent years and is one of the most profitable drugs for the cartels to produce. It is possible that the United States Government requests the extradition of the “Che”.



DEVELOPMENT

Mazatlán City will have the most important floating port in the region

Within the TMEC Logistics and Industrial Corridor project that will connect Mexico, the United States and Canada, the construction of a floating port in Mazatlán, Sinaloa is contemplated, which could become the most important port in Latin America. The new port will have the capacity to move up to 8 million containers per year, surpassing the port of Manzanillo, currently the largest in the country. The investment includes the construction of several logistics centers that could detonate the economy of the region.



NATURAL RESOURCES

Baja California will have an energy deficit for summer

The State Energy Commission foresees an energy deficit of 600 megawatts for the summer season in Baja California, which could cause blackouts and a rationed service. Although the National Center for Energy Control anticipates the installation of more companies to supply the demand, the Electricity Reform proposed by the President has generated much uncertainty for private investments which could make it difficult for new companies to arrive.



POWER AND AUTHORITY

Sinaloa will have 2 new municipalities

The State Congress of Sinaloa approved in March the creation of 2 new municipalities. Starting November 2024, El Dorado and Juan José Ríos will form their local governments and be included in the state budget as separate entities. The municipality of El Dorado was part of the municipality of Culiacán while Juan José Ríos is made up of territories ceded from the municipalities of Guasave, Ahome, El Fuerte and Sinaloa. The creation of these new municipalities is supported by the referendum that took place in March 2020.

INSIGHT

Drought and crisis in fishing sector in Sinaloa

Municipalities in Sinaloa present a critical situation due to the lack of rain and the low level of water storage presented by its main dams that could affect agricultural production. Even though May and June are considered the driest months, the lack of water has been observed since March, which has worried farmers who demand the authorities to ensure the supply of water. The fishing sector continues in crisis: Although the Sinaloa Government announced a temporary employment program, the measure does not resolve the underlying crisis and years of government negligence.

REGION 2: NORTHEASTERN

FOR STRATEGY AND DEVELOPMENT RESEARCH



SECURITY

Detentions of migrants increase in Nuevo León

More than 235 migrants have been detained by Nuevo León authorities during the month of March in different municipalities. The first group made up of 100 people was found in 2 houses in the municipality of San Nicolás, the second group of 40 people were found in a trailer box in the municipality of Salinas Victoria, while the third group made up of 95 migrants were detained at the Monterrey International Airport. The increase in detentions is related to the closure of the Mexico southern border for non-essential travel due to COVID and immigration policy.



DEVELOPMENT

Eberspächer opens manufacturing plant in Coahuila

Eberspächer inaugurated its first manufacturing plant in Mexico in the municipality of Ramos Arizpe in Coahuila. The company invested around 25 million dollars and is expected to create 500 new jobs in the region. The company manufactures exhaust systems and filters for commercial vehicles. Due to its proximity to the US border and job stability, Coahuila has positioned itself as one of the best states to attract foreign investment mainly from the automotive and auto parts sector.



NATURAL RESOURCES

Repsol and Shell will operate oil fields in Tamaulipas

Repsol company will begin with the exploration of 2 areas located in the Cuenca de Burgos basin in the state of Tamaulipas, part of Round 3 approved by the National Hydrocarbons Commission. Also, Shell joins the China National Offshore Oil Corporation and PC Carigali for oil and gas exploration and extraction in an area known as "Cinturión Plegado Perdido". This area in the Gulf of Mexico has important deep-water oil and gas deposits.



POWER AND AUTHORITY

Doctors without medical supplies and vaccines

In Nuevo León, medical students from the State University (UANL) began a strike because they were not considered in the Federal Government vaccination strategy. Meanwhile, in San Luis Potosí doctors from the Ignacio Morones Prieto Central Hospital demonstrated due to the shortage of supplies and medical equipment they have experienced for several months. These problems occur in several other states. The crisis has its origin in the administrative transition to the "Instituto del Bienestar", an initiative created by the President to provide health services to people who do not have social security.

INSIGHT

Economic growth is expected, but caution continues

The Economic Research Center foresees an economic growth up to 5.9% during 2021. Some of the factors that are helping the recovery are the reopening of businesses, the vaccination campaign, and the fiscal stimuli that the US Government injected into the economy. Despite the optimism of the center, some analysts fear that a new wave of COVID infections could affect growth expectations. In recent days, PEMEX announced that it will not carry out new drilling and exploration works in the southern zone of Tamaulipas. While PEMEX continues to be paralyzed by budget cuts, the private energy industry has reaffirmed its investment commitment in Mexico, which could amount to up to 41 billion dollars.

REGION 3: WESTERN-BAJÍO

FOR STRATEGY AND DEVELOPMENT RESEARCH



SECURITY

500 people disappeared in the last 2 months in Guanajuato

Figures released by the Guanajuato State Attorney General's Office reveal that between January and February of 2021 there were 472 investigation files for missing persons. The municipalities with the highest reports are León, Irapuato and Celaya. In recent years, Guanajuato has been the battle center between the Santa Rosa de Lima Cartel and the Jalisco Nueva Generación Cartel, which caused a rise in homicides and reports of missing persons that has placed Guanajuato among the top nationwide.

DEVELOPMENT

Canadian mining company seeks lithium in Zacatecas

The Canadian mining company Advance Gold Corporation announced that it has acquired properties in a semi-desert area on the border between Zacatecas and San Luis Potosí. Prospective studies reveal that there are saline deposits with lithium content. Lithium is on high demand due to its applications in batteries and other electrical devices. However, the ruling party (MORENA) has shown a lot of interest in nationalizing the sector, which could hinder any possibility for its development.

NATURAL RESOURCES

Municipalities in Jalisco go through severe drought

Information released by the Drought Monitor in Mexico reveals that 112 municipalities in Jalisco have moderate to severe drought and 44 of them have severe drought. Before the summer, when demand for water escalates due to high temperatures, the states dams showed lowed levels. On top of this, aquifers have been overexploited for years and local administrations have lacked the development of better infrastructure and planning models. A crisis is at hand in Jalisco.

POWER AND AUTHORITY

Former leader of self-defense groups registers as a candidate for governor of Michoacan

Hipólito Mora, former leader of the "Autodefensas" group in Buenavista, Michoacán, registered as a candidate for Governor of Michoacán by the Encuentro Solidario Party. Although many of the self-defense groups have been dissolved, others remain armed, and some of them have even been linked to organized crime. The Federal Government considered Michoacán among the states with the highest political violence and risk of cooptation from local authorities by organized crime.

INSIGHT

Criminal reconfiguration in Michoacán

Self-defense groups from the municipality of Tepaltepec had to build forts and barricades to repel the attacks of the Jalisco Nueva Generación Cartel. In addition to this, the Mexican authorities announced the existence of a new cartel in the area called "Los Correa" that operates in alliance with the Michoacán Family, and the arrest of the former mayor of the municipality of Aguililla, Michoacán in Guatemala for drug trafficking and for his links with the Caballeros Templarios Cartel. These incidents reveal the local authorities collusion with criminal groups and the absence of rule of law.

REGION 4: CENTRAL

THE INSTITUTE
FOR STRATEGY AND DEVELOPMENT RESEARCH



SECURITY

Thousands of people displaced by the violence in Guerrero

Since 2011, around 10,000 people have had to flee the violence caused by the drug trafficking disputes in Guerrero. The most recent case occurred during the month of March, where at least 835 people left their homes in the municipality of Coyuca de Catalán. Reports indicate that at least 14 criminal groups are present in the región, such as: Gente Nueva, Los Ardillos, Los Rojos, Familia Michoacana and Guerreros Unidos. This state is the top opium poppy grower in Mexico and also one of the most important in the world.

DEVELOPMENT

School dropout increases in rural areas of Puebla

Young people from rural municipalities in Puebla have decided to leave their studies to work and be able to provide financially for their family during the COVID crisis. Some of the reasons why young people could not continue their studies are: the lack of internet access and computer equipment, the distance to schools and the economic crisis that affected many families. The problem is not exclusive to Puebla, data published by INEGI reveal that more than 5 million students did not enroll in the current school year that will cause a generation lost in education.

NATURAL RESOURCES

Cutzamala system in deficit

The Cutzamala System that supplies water to Mexico City and the State of Mexico is at 45% of its capacity prior to the summer season where the demand for water increases. The current situation of the system worries authorities because if the drought continues, they will have to start adopting measures to ration water among the population. In Mexico City, fines and prison are contemplated for users who are caught wasting water.

POWER AND AUTHORITY

The candidacy of Félix Salgado in Guerrero is revoked

The National Electoral Institute (INE) canceled the candidacy of Félix Salgado Macedonio for the governorship of Guerrero for not presenting his pre-campaign financial expenses and disqualified several collaborators to replace him. The measure comes after the controversy faced by the candidate for sexual abuse allegations and the support given to him by the president, which caused outrage among people all over the country. After the measure adopted by the INE, Félix Salgado publicly mentioned that, if he is not a candidate, there will be no elections in Guerrero, which represents a challenge to the electoral authority.

INSIGHT

Police assassinations in the State of Mexico and fuel robberies in Hidalgo continue

On March 18, in the municipality of Coatepec Harinas in the State of Mexico, 13 policemen were ambushed and killed by members of the Michoacán Family. After the incident 25 members of the cartel were arrested. State of Mexico is a disputed territory between the Jalisco Nueva Generación Cartel, currently the most powerful in the country, and the Familia Michoacana Cartel, which has caused an increase in violence. Despite the federal strategy against fuel theft, Hidalgo continues to rank first nationwide in this crime, which shows that criminal gangs have not stopped operating in the area. Other states that appear on the list are State of Mexico and Michoacán.

REGION 5: SOUTHERN

THE INSTITUTE
FOR STRATEGY AND DEVELOPMENT RESEARCH



SECURITY

Veracruz candidates suffer from political violence

Veracruz leads the rankings of violence against politicians at the national level. Currently the state is in dispute between the Jalisco Nueva Generación Cartel and Zetas Vieja Escuela, which use violence to impose or co-opt political candidates. One of the most recent cases is the Democratic Revolution Party (PRD), which revealed that 6 of its candidates in Veracruz declined to compete due to threats from organized crime and the lack of security guarantees from authorities. Violence is threatening democracy.

DEVELOPMENT

SEMAR will manage the Istmo de Tehuantepec Corridor

The President announced that the Interoceanic Corridor that includes the railways Palenque-Coatzacoalcos and Istmo - Tapachula will be administered by the Navy Secretary (SEMAR) and 4 southern states. The new tasks of the armed forces generated concern among some analysts, because they consider security and defense missions could be neglected.

NATURAL RESOURCES

Drought threatens Chiapas

At least 28 municipalities in Chiapas have abnormally dry conditions, which implies the possibility of drought in the short term. These conditions are present in Tuxtla Gutiérrez, Chiapa de Corzo and Comitán de Domínguez. April is expected to be the hottest month for the entity, which could cause forest fires and a decrease in crops. The National Forestry Commission (CONAFOR) revealed that in 23 of 32 states in Mexico there are active fires: Chiapas is among them. In the last 2 years, CONAFOR has suffered cuts in its budget, which makes it difficult to carry out its work.

POWER AND AUTHORITY

Army admits error in Guatemalan death

A citizen from Guatemala died of 2 shots after evading an Army checkpoint in the municipality of Motozintla in Chiapas, near the border with Guatemala. After the incident, 15 soldiers of the army were detained by residents for 12 hours until an agreement was reached. The Army recognized the error, and the Government of Mexico undertook to pay financial compensation the deceased's family. The incident occurs amid the national debate over excessive use of force by the police, which also caused the death of a woman from El Salvador in Quintana Roo.

INSIGHT

Migration and discrimination on the southern border of the country

Despite the deployment of thousands of elements of the National Guard and the National Migration Institute to try to stop migration from Central America to Mexico, refugee stations in cities such as Tuxtla, Tapachula and Comitán are full and in deplorable conditions. In addition, the number of unaccompanied children who try to cross the border has increased in recent years, making them vulnerable to attacks by organized crime groups and human trafficking. Regardless of the arrival of a new US President, situation on both borders remains critical.

REGION 6: YUCATÁN PENINSULA

FOR STRATEGY AND DEVELOPMENT RESEARCH



SECURITY

Quintana Roo among the states with the highest rates of human trafficking cases.

Information revealed by the Security and Gender Observatory indicates that Quintana Roo occupies the second place at the national level with the highest incidence of cases of human trafficking. The municipalities of Felipe Carrillo Puerto, Bacalar and Solidaridad are among those with the highest numbers. Human trafficking is one of the most lucrative businesses for organized crime and Cancun is one of the most coveted places for international mafias to operate.



DEVELOPMENT

Abandoned schools and missing students in Quintana Roo

The Secretary of Education of Quintana Roo revealed that there are more than 10,000 elementary level students that have not registered for the new school year. Figures reveal the havoc the pandemic has caused in education. In addition to this, schools in Quintana Roo look abandoned and looted, which will make it difficult for students to eventually return to classes.



NATURAL RESOURCES

Thousands of hectares deforested in Campeche

Members of the Mayan Communities Collective denounced that since 2015 to date more than 143 thousand hectares have been deforested. In Campeche: the municipality of Hopelchén is the most affected. Members attribute deforestation to the planting of transgenic products and the use of herbicides such as glyphosate. Deforestation in the area has also been linked to the loss of biodiversity and the increased effects of climate change. Local and federal authorities have done little to try to redress the environmental damage.



POWER AND AUTHORITY

Fake vaccines shipment seized in Campeche

Authorities seized a batch of 5,000 Russian Sputnik V vaccines bound for Honduras at the Campeche International Airport. After the seizure, Russian authorities revealed the lot was false. Mexican authorities detained 6 Hondurans along with the shipment. A few weeks after this incident there was a report that a 1,000 people from a maquiladora received fake vaccines, but no one has been detained. Currently no private company in México has permission to import vaccines, so any vaccine that is on the market is illegal and could be false.

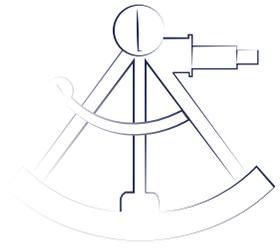
INSIGHT

Femicides and excessive use of police force in the region

The death of Victoria, a refugee from El Salvador at the hands of the police in Tulum, unleashed national and international indignation at the police officers who detained her and caused her death by fracturing the upper part of her spine. After Victoria's death, 4 policemen were arrested. In Holbox, the first case of femicide occurred during March. A woman was found tortured and tied to a golf cart, allegedly by her partner. After the events, women demonstrated in Mexico City and Quintana Roo to demand justice for both crimes.

THE INSTITUTE

FOR STRATEGY AND DEVELOPMENT RESEARCH



Contact

This document has been prepared by the staff of the Institute for Strategy and Development Research. For further material, inquiries, products, or possible research ideas, please contact us at:

 InstituteSDR

 isdr.mx

 info@isdr.mx

 +52 (81) 8363 0021

