

Mexican Strategic Landscape

Monthly Report - June 2023

THE INSTITUTE

FOR STRATEGY AND DEVELOPMENT RESEARCH



What is The Mexican Strategic Landscape Report?

A monthly publication by the *Institute for Strategy and Development Research (ISDR)*, 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.

Regions of Mexico



Trends to watch in Mexico

01 / The looming failure of Mexico's security policies.

According to official figures, more than 150 thousand people have died over the past 5 years due to violent crime in Mexico, and things don't seem to change in the coming future. Although the media tends to put the blame on the failures of the Federal Government's ill-designed security strategy, the real causes behind the country's violence epidemic deserve a much more comprehensive diagnosis. In this regard, officials from all government levels -and not just at the national one- seem to lack the intellectual resources and/or political resolve to consider how phenomena like migration, unplanned urbanization, or poverty impact violence-related variables. Over the coming years, Mexicans will need to realize that the country's security domains -national, internal, and public- require a whole-of-state approach beyond administrative cycles and individual political features. Political parties have the key to propose, once and for all, such a comprehensive security approach in the upcoming electoral process.

02 / Opposition parties weakened after State of Mexico and Coahuila elections.

Although the electoral alliance among opposition parties managed to win in Coahuila, the resounding defeat suffered in the State of Mexico (a key state for its population size) reflects the depreciation of traditional parties such as the PRI, PAN and PRD and opened a national debate on the future of the alliance for the 2024 presidential elections. A large part of surveys reveals that MORENA -the Government's party- has the lead and Movimiento Ciudadano -that governs the key states of Nuevo Leon and Jalisco- continues to gain the sympathies of an ever-larger electoral base. If traditional parties are unable to renew themselves -mostly by opening to citizens' proposals- they are doomed to failure and to disappear in the short term.

03 / Agriculture crisis in Mexico.

Although Mexico stands out worldwide for the production and export of various agriculture products such as avocado, corn, tomato or berries, the sector is going through a crisis that has caused various demonstrations in different states in recent months. The lack of government support, the low price paid for the products and the disappearance of rural finance, have contributed to this crisis, and put the economic livelihood of thousands of families in Mexico that depend on this sector at risk.

Mexico and the Global Stage

Diplomatic ties between Mexico and Peru continue to deteriorate.

Since the removal of Pedro Castillo, Former President of Peru, diplomatic relations between the two nations have gone from regional allies to distant neighbors in recent months. During last month, the Mexican president was declared persona non grata by the Peruvian Congress for his constant interference in internal affairs. Additionally, Mexico's reluctance to cede the pro tempore presidency of the Pacific Alliance to Peru and the threats against Peruvian diplomats in Mexico generated an impasse between the member countries, putting the continuity of this economic bloc -Mexico's geostrategic bet towards South America- at risk.

Northwestern

Regional Overview

01 — Wheat producers in the region demonstrate over low grain prices.

Wheat producers from Baja California, Sonora and Sinaloa demonstrated in May to demand a solution to the crisis that the sector is going through. The drop in wheat prices in the market and the high production costs make the activity unprofitable, putting the livelihood of thousands of families at risk. Although the blockades carried out by farmers in government offices, PEMEX and the La Moderna plant (a pasta producer) reached some partial agreements, they do not solve the problem that the farmers face, so there is a risk that the crisis will worsen and continue demonstrations in different parts of the country.

02 — Tension increases between Chihuahua and Tamaulipas over water.

The creation of an interdisciplinary group by Tamaulipas for the distribution of water from the Bravo River basin caused alarm and annoyance in some sectors of Chihuahua, particularly among farmers who began to monitor the level of the dams to prevent water from being transferred to Tamaulipas. The water scarcity that affects some cities in Tamaulipas influenced the exploration of the possibility of obtaining water from the Chihuahua dams that store a percentage of water upstream the Bravo River. Although there is no official position of CONAGUA or the Federal Government, the creation of the group has already caused friction between the two states.

Key Actors

Drought in Chihuahua and Tamaulipas.

Information from CONAGUA's drought monitor reveals that Chihuahua has 13 municipalities with drought, which represents almost a fifth of the municipalities in the state. While Tamaulipas has 18 municipalities with drought, which represents 41.9% of the municipalities in the state.

Northeastern

Regional Overview

01 — Asian companies choose northeastern region to invest.

After a working tour to South Korea and Taiwan, the Governor of Nuevo Leon announced the arrival of new investments in the state, including Foxconn Technology Group, considered the world's largest electronics manufacturer, and announced the expansion of Sungwoo Hitech, and Kia Motors companies. In Coahuila, the Chinese company Xusheng, a supplier of aluminum parts for electric vehicles, decided to install its first plant in Mexico. In San Luis Potosi, the Himile company dedicated to the production of rubber machinery and products for the automotive industry announced its arrival. The nearshoring process has sparked an investment boom in the northeastern region, which is becoming an important electromobility hub.

02 — Availability of water will limit economic growth in the region.

During May, the Secretary of Economy Raquel Buenrostro mentioned that they are working on a decree to limit the granting of new water concessions for industrial use in states with little water availability. If this decree is published, it would mainly affect the northern and western-Bajío regions, which have had an investment boom in recent years. Although the Secretary of Economy assured that it would not affect the current investments that have been made in those regions, the decree may limit plans for expansion or growth of those companies and generates a climate of uncertainty for foreign investments. So far, the decree has not been published in the Official Gazette of the Federation (DOF).

Key Actors

Aquifers without water availability in the region.

Some of the aquifers that are without water availability in the region are: Sabinas-Paras, Citricola Norte and Citricola Sur in Nuevo Leon. Region Carbonifera, Monclova, and Allende-Piedras Negras in Coahuila. Buenavista, Matehuala-Huizache and Villa de Arista in San Luis Potosi and Victoria-Casas, Hidalgo-Villagran and Margenes del Rio Purificación in Tamaulipas.

Western-Bajío

Regional Overview

01 — Clean energy in Aguascalientes slowed down by lack of permits.

The municipality of Aguascalientes seeks to stop the contract it has with the Next Energy company because the photovoltaic park that was going to provide them with electricity has not started operation due to the lack of interconnection permits granted by the CRE (Energy Regulatory Commission). Since April 2020, the municipality of Aguascalientes has paid more than 700 million Mexican pesos (around 40.9 million USD) to the Next Energy company for electricity service that has not been delivered, which is why they are currently in litigation. Although the project was considered promising in clean energy issues, the CRE has limited the receipt and approval of private initiative procedures without justification, which harms the region's competitiveness.

02 — Disappearances and homicides of women on the rise in Guanajuato.

The report "Disappeared women in the state of Guanajuato: Stories of oblivion and stigmatization without access to justice" carried out by IMDHD (Mexican Institute of Human Rights and Democracy A.C) reveals the violence faced by women in Guanajuato. Among the most alarming data, it stands out that in 2022 Guanajuato registered a 12.73 homicides rate for every 100,000 women, which positions the state within the top 4 nationally. In the case of disappearances, from 2012 to 2020 the state presents an upward trend in this crime, with 2020 being the year with the highest number of cases with 152. It will be important for the Guanajuato authorities to improve search protocols and reduce the levels of impunity in the justice system to reduce the levels of violence and insecurity that affect women and girls.

Key Actors

Disappeared women in Guanajuato

Information from the National Registry of Missing and Unlocated Persons (RNPDNO) reveals that from 2000 to 2022 there are 544 women or girls that still are missing in Guanajuato. The municipalities of Celaya, Leon, Irapuato, and Salamanca register the most cases.

Central

Regional Overview

01 — Drought in Hidalgo and Morelos.

The states of Hidalgo and Morelos are being affected by the drought. The states of Hidalgo and Morelos are being affected by the drought. Information from the latest report of the CONAGUA Drought Monitor reveals that the state of Hidalgo has 11 municipalities with drought while the state of Morelos has 30 municipalities with drought, which represents 83.3% of its territory. Low rainfall in these states has contributed to dry conditions and low dam storage. Among the measures that have been adopted to mitigate the effects of the drought and not affect investment, is the proposal of the Government of Hidalgo to expand the number of wastewater treatment plants to offer them to industrial parks.

02 — Extortion grows in Mexico City.

Data from the Executive Secretariat of the National Public Security System (SESNSP) reveal that the crime of extortion showed an increase of more than 59.0% during the first quarter of 2023 compared to the same period in 2022. Being the municipalities of Iztapalapa, Cuauhtemoc and Gustavo A. Madero the ones that concentrate the highest number of incidents. It is important to note that this crime is one of the most underreported, so the incidence could be higher and the levels of impunity in this crime contributes so that criminal groups expand their power in the city.

Key Actors

Hidden figure and impunity in Mexico City.

Information from the National Survey of Victimization and Perception of Public Security estimates that in 2021 only 11.8% of the total crimes committed were reported and the dark figure is around 92.2% of the crimes committed. Among the reasons why citizens do not report are the waste of time and mistrust in authority.

Southern

Regional Overview

01 — New mining projects in Oaxaca.

Canadian companies announced new acquisitions and environmental studies in Oaxaca. The company Inomin Mines recently announced the acquisition of the La Gitana silver mine located in the Central Valleys region in Oaxaca. Exploration work carried out between 2004 and 2006 by the previous owner revealed the existence of gold and silver deposits in this mine. In the case of the company Vortex Metals (Vms), it announced the start of environmental studies and geological work in the Zaachila project, where it is estimated that there is high-grade copper. In 2023, Oaxaca was positioned within the top 6 national states with the highest gold production, while silver was within the national top 4. This reveals the state's mining potential.

02 — Greenpeace ship arrives to Veracruz to warn ecosystem damage of Texas gas pipeline.

The Greenpeace ship Arctic Sunrise arrived on the coast of Veracruz where it will be carrying out a campaign to warn of the risks and effects on the ecosystems and reefs of the region due to the construction of the gas pipeline that will connect the state of Texas with the city of Tuxpan in Veracruz. Additionally, they will work in the central and southern areas of Veracruz with the Veracruzana University to expand the protection of reefs. In recent years, environmental issues have been positioned among the public agenda, so it will be important for the gas pipeline to comply with Mexican environmental standards to avoid conflicts with communities.

Key Actors

Veracruz communities affected by sea level rise.

A report issued by the Civil Protection of Veracruz reveals that the municipalities of Alvarado, Tampico Alto and Tecolutla are the most affected by coastal erosion. In the municipality of Alvarado, the communities of Las Barrancas, Mata de Uva and Playa Zapote have suffered the damages of the coastal erosion and there is a risk that these communities will disappear due to the indifference of the authorities. Some of these communities attended the event organized by Greenpeace in the city.

Yucatan Peninsula

Regional Overview

01 — Crisis in the beekeeping sector of Yucatan and Campeche.

The massive death of bees in Yucatan and Campeche has generated national and international alarm. In Campeche, the massive death of bees due to poisoning by the insecticide fipronil has affected 80 beekeepers. In Yucatan, the low price of honey has caused beekeepers to abandon the activity. The issue has generated international concern, which recently led to the visit of actress Angelina Jolie to Yucatan to support a bee preservation project. The crisis that the sector is going through puts the production of honey and various crops at risk, as well as the jobs of thousands of families in the region.

02 — Shell and TotalEnergies abandoned oil fields.

The Schell company announced that it will abandon 2 oil fields located in the Salina basin off the coast of Tabasco and Campeche because they are considered to have limited prospecting for production. The contracts were valid for 35 years. In the case of the company TotalEnergies, it announced the early termination and return of part of the contractual area located off the coast of Campeche. The announcements made by both companies will affect the creation of jobs and the economy of the region.

Key Actors

Women For Bees Project in Yucatan.

An entrepreneurship program launched by UNESCO and Guerlain to promote women's empowerment and biodiversity conservation. The program has Angelina Jolie as Ambassador who visited a group of women from the community of Santa Clara in Yucatan to talk about bee protection.

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