

Mexican Strategic Landscape

Monthly Report - August 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 / **Missing persons, the "Achilles heel" of the Mexican Government.**

Official statistics reveal that there are more than 110,000 missing persons in Mexico, which shows the inability and indifference of authorities to stop this problem. Relatives of missing persons have banded together and are working on their own to obtain answers or find the whereabouts of their relatives, facing government bureaucracy and threats from organized crime groups. Although the work conducted by these search groups has managed to reach the public agenda by shedding light on such a national catastrophe, it has also put them in direct confrontation with the President, who has avoided meeting personally with Mexican search groups and has promoted a review of the official missing persons statistics. Given this political context and the social support that these groups have acquired, it is likely that this problem will be part of the 2024 presidential elections discourse.

02 / **The war for education.**

Education in Mexico faces an ideological and cultural crossroads. At the local level, states like Nuevo Leon and Sonora that have benefited from nearshoring are adapting their educational models to provide better tools to facilitate job placement in a globalized and competitive world. At the federal level the Government promotes the redesign of books for elementary education, but many have complained they now contain a high ideological charge, have reduced the teaching of mathematics, and were designed in the absence of consultations with experts and the civil society, as mandated by law. This cultural battle for education has provoked clashes between various social groups, as well as between the ruling party and opposition parties. While the educational model defines its course, the academic future of millions of children and the opportunity to take advantage of current economic opportunities are at risk.

03 / **Illegal rehab centers: a growing trend.**

In recent years, illegal rehabilitation centers have grown in different states along with cases of violence, labor exploitation, and human trafficking. In the municipality of Angostura in Sinaloa, the authorities rescued 39 people admitted to a rehabilitation center against their will and denounced being exploited at work. State authorities mention that there are at least 120 centers operating irregularly in Sinaloa. In Guanajuato, these centers have been the target of armed attacks by organized crime groups and authorities estimate that there are about 290 centers operating irregularly. Despite the security problems related to the operation of these centers, there is no government plan or will to regulate them.

Mexico and the Global Stage

Presidential elections and Russian presence in Mexico.

United States authorities have warned about the growing number of Russian spies operating in Mexico. The increase in "Russian diplomats" in Mexico occurs prior to the presidential elections that both the United States and Mexico will have in 2024. Due to the precedent regarding possible Russian interference in the 2016 US elections, it will be important for both countries to work on joint strategies to curb activities that could affect the election's stability and legality.

Northwestern

Regional Overview

01 — Fentanyl changes criminal dynamics and consumption patterns.

Even though local and federal authorities have repeatedly denied fentanyl is produced in Mexican territory, this drug has changed consumption patterns and criminal dynamics regionally. In the case of Baja California, civil organizations have warned of an increase in overdose cases since 2021. Meanwhile, in Sinaloa, the alleged prohibition by some DTOs to traffic fentanyl by non-aligned criminal groups has increased homicides and disappearances. The lack of statistics on this issue has helped the authorities to minimize the phenomenon. It is important to notice that even drug users are unaware of its consumption because producers mix it with other drugs. This silent trend could become a public health problem in the region in the coming years, given the current lack of public policies for its prevention and attention.

02 — Agricultural and fishing activity at risk of disappearing.

Wheat producers in Baja California and the fishing sector in Sinaloa face a worsening crisis. In the past four months wheat producers in Baja California have held several protests as a result of the low prices in international markets, and the dissolution of the National Development Fund, which left farmers without financing from the federal government. In Sinaloa, the rising cost of marine diesel and the lack of boats maintenance has caused a decline in shrimp fishing as well as the loss of thousands of jobs. Although media coverage of these issues has decreased, demonstrations continue to take place at the regional level and social unrest grows within these sectors.

Key Actors

Fentanyl consumption in Baja California.

The Baja California Institute of Psychiatry recently revealed that 4 out of 10 people who enter a rehab center in the state have used fentanyl without being aware of it.

Northeastern

Regional Overview

01 ——— Insecurity could affect nearshoring in Nuevo Leon.

The foreign investment boom that Nuevo Leon has received due to nearshoring could be tampered by insecurity. In recent months, the state has faced several security challenges, including an important deficit of police forces that affects 18 rural municipalities, the murder of police chiefs in Villaldama and Linares, and the attack on police facilities in Anahuac, where the Colombia customs office is located. Although military reinforcements have arrived in the state, Nuevo Leon still faces the challenge of reducing the police deficit and the homicide rate to maintain confidence among foreign investors. Nevertheless, given the worsening security situation in neighboring states -specially Tamaulipas- it is safe to assume that Nuevo Leon will keep facing an uptick in violence statistics in the months to come.

02 ——— Company closure triggers strike in Matamoros.

After more than thirty years operating in the city of Matamoros, Tamaulipas, the company *Edemsa CDS* (dedicated to the assembly of communication equipment) suddenly closed its doors, leaving more than 400 workers unemployed. Leveraging on the absence of the owners, the workers went on strike and the union of the *maquiladora* industry (SJOIIM) requested a precautionary seizure of the company's assets. It is the second *maquiladora* in Matamoros that suddenly closed operations without liquidating workers in 2023.

Key Actors

"Componentes Universales" closes doors in Matamoros.

In March of 2023, the company "*Componentes Universales de Matamoros*" suddenly closed its operations, affecting more than 500 employees. To this date, workers maintain a protesting at the entrance of the factory to demand severance pay in accordance with Mexican law.

Western-Bajío

Regional Overview

01 ——— Use of explosives grows in Jalisco and Michoacan.

The use of explosive devices such as grenades, anti-personnel mines, and explosive drones by criminal groups has grown in the states of Jalisco and Michoacan. In Jalisco, the seizures of explosive devices have also increased during the first semester of 2023, the secretary of public security revealed that it seized more explosives than firearms. In Michoacan, there is an increasing use of drones loaded with explosives by criminal groups in the cities of Apatzingan, Aguililla and Coalcoman. Despite the now-widespread use of explosive devices in these states, a special strategy targeted at limiting the access to these devices by criminal organizations is yet to be implemented.

02 ——— Agave production linked to environmental damage.

The agave production boom in the states of Jalisco, Michoacan and Guanajuato has caused the erosion and deforestation in thousands of land hectares, generating concern among environmental groups and authorities in the United States. The high demand for agave in international markets has prompted farmers to illegally change the authorized land use capitalize on this boom. A Mexican citizen filed a complaint with the T-MEC environmental commission, for the damage caused by agave production, which could lead to trade sanctions for Mexico.

Key Actors

Complaint for agave production.

A Mexican citizen filed a complaint at the Commission for Environmental Cooperation (CCA) that is part of the Free Trade Agreement between Mexico, the United States and Canada (T-MEC) describing the environmental damage that agave production has had in Jalisco.

Central

Regional Overview

01 — Inauguration of the Interurban train in Mexico City.

On September 14 the first stage of the Mexico-Toluca Interurban Train will be inaugurated, which will connect Mexico City to the Valley of Mexico Metropolitan Area. The first stage will be 20 kilometers long and includes the opening of 4 stations. The project will reduce the transfer time by half compared to the time it takes to travel the same distance by bus. Despite the mobility benefits the train would bring, the project has not been immune to social problems, delays and cost overruns that have extended construction time for more than 9 years.

02 — Criminal clashes fueled violence in Guerrero.

The state of Guerrero is experiencing one of its worst violence crises in recent years. During July the state experienced various episodes of violence, including the murder of 12 public transport drivers, a journalist, and a businessman linked to the Marcelo Ebrard presidential campaign. There have also been roadblocks, organized by communities colluded with criminals, to push authorities out. The spiral of violence is linked to the struggle between several crime groups to control drug trafficking and the extortion to local businesses.

Key Actors

Social conflicts in the construction of the Interurban Train.

Territorial disputes and land damages have been some of the issues denounced by inhabitants of the communities of San Juan Coapanoaya, San Jeronimo Acazulco and San Mateo Atenco, located in the State of Mexico. This has contributed to delays in the construction of the Interurban Train.

Southern

Regional Overview

01 ——— Strategic atrophy towards Chiapas.

Despite violent incidents occurring in Chiapas, documented by media and social organizations in recent months, the President has expressed an ambiguous posture on the seriousness and magnitude of the problem. Although he has mentioned that the media exaggerate violent events in Chiapas, he has also recognized the growing social base criminal groups have acquired. So far, the Federal Government has not promoted any specific strategy to curb violence or recover governability in Chiapas, and the local authorities seem completely oblivious to it.

02 ——— Manufacture of handmade bombs is a growing trend.

During the last month, there were three reported incidents related to the use or threats of bombs. In the municipality of Juchitan de Zaragoza in Oaxaca, unknown persons aboard a motorcycle threw a homemade bomb into the facilities of a pizzeria, leaving 4 people injured and damages to the facilities. In the municipality of Centro in Tabasco, a private security company reported the presence of a possible explosive device in its facilities, which had to be removed by military personnel from the anti-explosive unit. Meanwhile in Veracruz, personnel from the Morelos Petrochemical Complex were evicted due to an alleged bomb threat. These incidents reveal the ease with which citizens and criminals can make improvised explosive devices and adds to their growing use in the country.

Key Actors

Homicides rates in Chiapas.

Although Chiapas presents a rate of intentional homicides lower than other states in the country, since 2020 there has been an upward trend in this crime. In 2020 the homicide rate was 11.7 per 100,000 inhabitants, then 13.3 in 2021, and 13.4 in 2022. Nevertheless, given the fact that most of Chiapas' population live in rural areas with insufficient communication infrastructure, official statistics are always difficult to trust.

Yucatan Peninsula

Regional Overview

01 — Germany invests in ammonia plant in Campeche.

The German company *Hy2gen* signed a cooperation agreement with the state of Campeche for the construction of the first green ammonia plant in Mexico called "*Marengo I*". The plant will have an extension of 12,000 hectares and will be in the municipality of Champoton. The cooperation agreement between Germany and Mexico could become a world benchmark because the project is considered groundbreaking in the production of ammonia through climate-neutral means and without the need of being connected to the electricity grid. At the local level, the project will help diversify the sources of employment in a state whose economy still depends largely on the oil industry.

02 — Mexico President seeks to buy Vulcan Materials Company lands.

Using all the means at its disposal, the Government of Mexico seeks to appropriate the land of the American company *Vulcan Materials Company*. Although the international dispute between the two parties is still unresolved, the Mexican Government expressed its intention to buy the company's land for 6.5 billion pesos to convert part of it into a Protected Natural Area. In case of accepting the offer, the Mexican Government would suspend the complaints filed against the company in 2022 for alleged environmental damage for the extraction of limestone in Quintana Roo. The government's actions in this case contrast with the passivity with which it has acted about presumed environmental impacts caused by the construction of the Mayan Train in the peninsula.

Key Actors

States with potential to produce green hydrogen.

A study by the German International Cooperation Agency GIZ in 2022 highlighted the potential of some states in Mexico to produce green hydrogen, such as: Campeche, Nuevo Leon, Tamaulipas, San Luis Potosi, and Chihuahua. These states also have strategic geographic location and the infrastructure needed for their production.

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